

THE *Freeman*

IDEAS ON LIBERTY

AUGUST 1966

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Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

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THE CURRENT CAMPAIGN in the war on poverty might be waged more successfully had Lord Acton devoted less attention to the corrupting influence of power and recognized that weakness also tends to corrupt and absolute weakness corrupts absolutely.

Is that not the lesson of the parable of the talents? The wicked and slothful servant did nothing constructive with the property entrusted to his care; whereupon, the property was transferred to the good and faithful servant whose capacity for stewardship had been proven. There is war on poverty — with a vengeance! But many will doubt the justice and humanity of transferring property from the least efficient to the more efficient users of it. Instead, they would propose a negative income tax, for the

more equitable distribution of wealth. In their zeal for equality of material possessions, they stumble over the basic flaw of the communist idea — the destruction of the incentive for anyone to develop and use his talents more constructively. They cater to man's weakness rather than his strength, failing to see that hatred, greed, envy, and similar weaknesses are the most corrupting vices of all.

Individuals are not equally endowed nor do they develop their talents at the same pace — each is an individual, with his own scale of values, wants, satisfactions. Essentially, there are but two ways in which a person may implement his choices. One is through production and willing exchange, earning power converted to purchasing power in the open competition of a market place policed

to the extent necessary to protect life and property and keep the peace. The alternative method of implementing choices is through the physical or political power of coercing others to obey and serve, with government perverted into an instrument of plunder.

Reliance on the Market

Most of us are fully aware that it is morally wrong to murder, rob, cheat, and lie to one another to get what we want. When we seek employment, we instinctively look first to the most successful business managers, savers, creators of job opportunities. Likewise, in our shopping for bargains, we tend to buy from the most efficient, most successful suppliers, rewarding with handsome profits those who best serve our wants. The market measures a man by what he does with his own resources. Each man more or less chooses and is responsible for his market position, relative to that of other self-choosing and self-responsible individuals. Day after day we depend upon our purchasing power and the method of willing exchange to implement our choices; and we ought to be aware that this market method serves us well.

But the market is not the sole determinant of each man's economic status, there also being "peo-

ple control" through political action. To the extent that government negates the individual's choice, it also renders him irresponsible. True, the protective services of government may be designed and may indeed help to curb irresponsible actions of certain individuals, with a resultant net gain in the total voluntary activity of all persons in the market place. This is man's hope and expectation of a government confined to keeping the peace.

Nevertheless, nearly every person of restricted means, low income, limited purchasing power can be tempted to see an advantage to himself of redistributing all incomes higher than his own. The idea of Federal aid, the negative-income-tax proposal of taking from the rich to help the poor, finds popular support. Without thought for the consequences, we turn over the power of taxation to those who lack purchasing power. Thus, the market is wrecked and abandoned, and coercion substituted as a new way of life, when we allow our weaknesses to corrupt us.

The simplest application of logic ought to tell us that a weak person cannot force a stronger person to help him. So, it should be self-evident that turning from the voluntary method to the coercive method of fulfilling wants can

only work to the disadvantage of the weak and poor among us.

Subsidy and Taxation

Government control, aside from its defensive role of keeping the peace, may be summarized under two general headings: subsidy and taxation.

That "the power to tax is the power to destroy" seems so clear and obvious, one hesitates to discuss the matter further. Yet, it must be recognized that a government without the power to collect taxes is also powerless to do anything else. If government is to preserve the peace, it must be able to collect taxes enough to pay for that service. If government is to protect life and property, it must have sufficient claim upon lives and property to give the necessary protection. But, the fact that any government does involve claims upon the lives and the property of the citizenry is the all-important reason why the scope of government should be limited. An unlimited power to destroy those under its influence is more "protection" than anyone can afford. To be defended to the end of one's resources, and then to death, is of no avail. The power to tax is indeed the power to destroy.

While most of us can see the harmful or dangerous aspects of the power of taxation, we may see

less clearly the nature and impact of the governmental power to subsidize. Yet, the power to subsidize also is the power to destroy. Nor is the destructive effect confined to those whose lives and property are taxed away to obtain the means for subsidies to others. The recipient of unearned goods or services may sadly discover the truth of the expression that "one man's meat is another's poison," for there is no surer way to destroy a man than to assume the responsibility for his well-being.

Even the most altruistic voluntary act of charity is capable of lasting harm to the intended beneficiary if it in the smallest degree diminishes his will or capacity to help himself. Rare indeed is the individual with sufficient strength of character to accept unearned assistance and not be tempted to ask for more. And strength of character is not a notable quality among those most likely to be found on the receiving line for a handout.

Specific Programs Examined

A more careful examination of some specific governmental welfare programs may help expose the futility of such coercive measures to alleviate poverty.

Unemployment compensation, for example, supposedly is in-

tended to help overcome the lack of employment opportunities for persons whose livelihood depends upon the sale of their services. The problem of the unemployed is that their services are not worth the price they are asking in the current market; no employer can see a chance for profit at such wage rates; his resources may better be used to obtain labor-saving equipment or devoted to some other purpose he has in mind. But, to make matters worse, the unemployment compensation program constitutes a coercive drain upon an employer's resources. All other taxes upon his business or his earnings similarly reduce his incentive and capacity to provide job opportunities at attractive wage rates and to produce goods and services at prices attractive to consumers. The heavier the tax load upon the most efficient and successful business entrepreneurs, the less chance there will be for the least skilled workers to find jobs or to purchase food, shelter, clothing, and other necessities at prices they can afford. The poor, rather than the wealthy, are the ones with most to lose when coercion displaces willing exchange.

Social security, medicare, and various other welfare programs are closely related to the unem-

ployment compensation idea and similarly disrupt the free flow of goods and services between suppliers and consumers. The combined old age, disability, and medicare tax is supposed to level off in due course at 11.3 per cent of a person's wages up to \$6,600, which comes to a tidy \$746 a year. That would be the equivalent of a 5 per cent return on a capital investment of about \$15,000. If a person began investing \$746 a year at age 21, with earnings of 5 per cent compounded annually, he would have accumulated \$15,000 before age 36, \$30,000 by age 44, \$115,000 by age 65. A 5 per cent return on \$115,000 would yield \$5,750 a year — without eating into the principal.

It is recognized, of course, that some wage earners will accumulate private savings and invest in productive enterprises in spite of the heavy burden of social security and other taxes, whereas others would save nothing even if relieved of all tax liabilities. Some individuals tend to be more thrifty and self-responsible than others. Be that as it may, the fact remains that the presently scheduled social security tax deprives the individual of the opportunity to save and invest up to 11.3 per cent of his earnings, which could accumulate to as much as \$115,000, and possibly more, by the

time he had reached age 65. This compulsory seizure of potential savings, for current redistribution among consumers, deprives individuals and the economy generally of the capital that could create more and better job opportunities for all working men and women. And the greatest disservice of this entire procedure is to the poorest and the least productive members of society who so need additional tools and equipment and other facilities to improve their productivity.

True social security may be approached when individuals generally, and voters especially, begin to understand that savings and investment and the prerogatives of ownership are best left in the hands of those whom consumers have rewarded and designated as the most efficient and generous suppliers of the goods and services people want. To tax and confiscate property and savings is to frustrate the choices of consumers; and the first and sharpest cutback in productivity is of those very items that had been most abundantly mass produced — for the masses.

Tax-supported education has been promulgated and widely accepted in theory as a great equalizer, not only at the elementary and secondary school levels, but

more and more at the college level, and even for graduate studies.

When a high proportion of the population of a nation is able to read and write, it may be argued convincingly that illiteracy is a handicap and that everyone should have the opportunity to learn these skills in order that he may become a better citizen and a self-responsible, contributing member of society rather than a hopeless burden to himself and to others. At least, some such rationale lay behind the first steps toward government schools in the United States — elementary schools, operating at the community level.

People can be helped, even compelled, to learn to read and write. But not all who can *will* read or write; not every opportunity extended is accepted; not everyone relieved of self-responsibility seizes upon the situation as an opportunity to grow in ability and responsibility. Indeed, nothing but the precise opposite may be inferred from the sorry record of the consequences of government education in the United States. Never before in the history of civilization have so many literate citizens deemed and decreed themselves incapable of self-support as in the United States of America in 1966. There is no evidence whatsoever that compelling a person to learn to read and write will

sharpen the sense of self-responsibility within him.

Furthermore, when all have learned to read and write, some will read and write more wisely than others and develop talents that others neglect. And eventually, high school diplomas and college degrees will be required — are being required — of applicants for jobs of the type formerly fulfilled respectably by illiterates. This may be one of the reasons why major universities in the United States now look to Washington for 40 and 50 per cent and more of their total budgets. And those who are obliged to pay the costs of education, from the community grade schools of country-club atmosphere to the tax-supported centers for graduate study, are the poor taxpayers presumed capable of and willing to educate everybody's children but their own.

After tiny tots have been jogged about town in yellow buses, through red and green lights until they no longer are able to distinguish black from white, they may proceed to express themselves concerning national and international problems until free lunch is served; and some eventually may learn to read and write — with reading machines and automatic typewriters. Whether the student dropout from such a curriculum is intellectually inferior to the one

who carries on and graduates is a nice question that cannot be resolved by any of the theories and practices of the system of compulsory schooling. Is the one any better trained than the other to demonstrate his animal nature in the streets or otherwise express the civil disobedience that passes for maturity according to the formula of personal irresponsibility? Nor should anyone be surprised that the heaviest current governmental expenditures for higher education are devoted to research and development for occupation of the moon!

Urban Renewal plans and practices may afford the best illustration of all the misguided campaigns in the war on poverty. If anyone can be found living in substandard housing or other slum conditions, no matter that he is conscientiously doing his best to live within his means while striving to help himself toward something better. Root him out, and force him to find a home he cannot afford in a community with public services and tax rates tailored for those in high-income brackets.

Government is organized intolerance; and there is nothing wrong with such intolerance leveled against those criminal acts by individuals who disturb the peace and jeopardize the life and

property of others who are minding their own business. The most deplorable kind of intolerance is that evidenced by the "humanitarian with the guillotine," the well-intended reformer armed with the power of eminent domain and the full force of government to simply wipe out all signs of poverty and suffering, including the individuals so afflicted.

The free market economy is tolerant of differences in human wants and capacities, leaving the individual free to fill his needs according to his abilities—to draw supplies from the market in proportion to his own offer-and-delivery of goods and services. It affords each person the maximum incentive and opportunity to help himself, which, in the final analysis, is the only kind of help that does not carry the prospect of greater harm than good to the intended beneficiary.

A strong case can be made, and has been made on numerous occasions by countless individuals, concerning the immorality of forcefully taking the property of the more provident and thrifty citizenry for redistribution in one form or another among the poor. But far too little attention has been paid by anyone to the immorality and injustice of thus depriving those poor persons of the opportunity to experience the

reality of cause and consequence, effort and reward, method and results. To feed and clothe and house and surround a man's body with other physical comforts beyond the capacity of his mind to appreciate and earn and cope with these material blessings is to deprive him of the opportunity of ever rising above the level of a domesticated animal. No greater injury can be inflicted on any man than to "save" him from earning his own way. The benevolent government that taxes the rich also robs the poor at the same time, taking from one his property, from the other his human dignity. When it is recognized that the important part of urban renewal must take place within the minds and souls of human beings, it may be seen that the coercive force of government can play no constructive role in this do-it-yourself project of mental and moral achievement.

Transport subsidies, ranging from below-cost subway and commuter fares to the underwriting of luxury liners and plush air travel, generally tend to transfer property by force to those who can afford to travel from those who can't.

There are economic as well as other reasons why the poorer members of a community tend to

congregate and crowd together in what seem to be the rundown tenements and slums near the heart of an urban industrial area. There is the inexpensive, second-hand housing they can afford near to their places of work, with older and unadorned but nonetheless adequate schools and other service and shopping facilities within their reach and means. Those persons with ambition always have managed to help themselves out of such crowded areas if they really wanted to leave, thus making room for others on their way up the economic ladder. The market, comprised of individuals each minding his own business, is tolerant of such arrangements.

There are persons, however, especially among the new rich recently moved to Suburbia, who have failed to understand the market method of progress and who see no further need for those less elegant and lower rungs in the economic structure. By taxation, subsidy, and force, they would abolish slums, displace with orderly empty space what once were homes and shops and service centers and sources of livelihood for emergent, self-reliant human beings. Then in the name of the displaced poor, but more obviously in their own interest, the new suburbanites clamor for subsidized subway fares, subsidized com-

muter services, subsidized free-ways and parking space, subsidized correctives for the destruction they have promulgated in the name of renewal and progress. And the inevitable workings of the process of taxation, however steeply graduated to soak the rich, are such that each dollar of return on investment capital thus withdrawn from the market place of productive enterprise means something like six dollars of wages never earned and never paid.¹ The ones who finally pay, and pay dearly, for every dollar politically diverted to the "war on poverty" are the poor workers who so need the freedom of the market place in order to help themselves.

Foreign aid to undeveloped countries will be our final example here of the miscarriage of justice in the political war on poverty.

Bad enough that every item assembled for give-away by the donor government, whether it be food and other necessities or the most elaborate kind of capital equipment, is ultimately at the expense of those of our own citi-

¹ In the highly industrialized United States over recent years, about 85 per cent of personal income has been in the form of pay for work done currently and 15 per cent as pay to savers who provide tools and job opportunities. See F. A. Harper, *Why Wages Rise* (Irrington, N. Y.: Foundation for Economic Education) pp. 19-27.

zens most in need of cheap food, clothing, and shelter and most in need of the additional capital that makes for improved job opportunities and working conditions. It always is the poor who pay most dearly for goods and services their government withdraws from the domestic market in which they are trying to earn their livelihood. Persons of means, by bidding enough, can always obtain portions of what remains for sale after government has forcibly taken "its share" of scarce resources.

But worse than these domestic injustices of intergovernmental give-away programs is the impact of such measures upon the individuals supposed to be helped in the recipient countries. Theirs is primarily a problem of too much regulation and control by their own government, too little freedom and incentive to assume personal responsibility for additional production, saving, and investment. Yet, there is no record nor even the slightest hint of any attempt to put foreign-aid funds anywhere except at the disposition of the government of the recipient nation. Thus are these already authoritarian and dictatorial governments sustained and bolstered in their power to regulate and control the lives of their citizen subjects.

Nor does it customarily make very much difference in what form the foreign-aid goods and services are originally transmitted from one government to the other. Let us say that boatloads of food grains are intended to stave off starvation among the teeming millions of India — a million dollars worth of food. The immediate consequence is that the power of the interventionist government of India is bolstered by that amount. It has an additional million dollars worth of patronage to distribute among its lackeys and favorites. And the probability that a starving Indian may receive some of the foreign-aid food will depend upon how much of it he can afford to buy in the black market.

Many persons, of course, will be quick to condemn the marketeers who would thus profit from traffic in the necessities of life. On the contrary, the role of the black marketeers is the most constructive of any played in the entire foreign-aid procedure. The great injustice is done by those governmental enthusiasts who would deny the functioning of the market in the allocation of scarce resources.

A More Hopeful Approach

In questioning and criticizing the conduct of the current campaign against poverty I have tried

to suggest what seems to me a more hopeful strategy. Two things, I believe, are necessary to make of any community the most prosperous economic and cultural garden spot of the world:

First, and most essential, is to populate it with individuals in whom flows the spirit and understanding and practice of liberty. Due respect for life, liberty, and property under the rules of peaceful exchange among self-reliant, self-responsible, self-respecting human beings would seem to rest upon a faith that this is God's world, a humility that we are creatures, and a tolerance toward fellow men peacefully participating as we ourselves aspire to do in the infinite process of the Creation.

Second, though supplemental to the first, is to relieve that community of every form of government aid and subsidy and at the same time relieve it of all tax burdens, regulations, interventions, and controls other than those necessary and strictly limited to its own internal policing and its defense against foreign attack.

And the mottoes above the open gates of such a free society would read:

POWER CORRUPTS—
AND SO DOES WEAKNESS

and

JUSTICE FOR ALL—
SPECIAL PRIVILEGE
FOR NONE

ON HEROES, HISTORY, AND OUR HERITAGE

ROBERT M. THORNTON

"IN TIMES of insecurity when the foundations of life are severely shaken," says Bernhard W. Anderson, "men often turn to the past to gain perspective. In our time, for instance, the world crisis has stimulated an intensive study of

the past and the tradition in which we stand."

Our age surely qualifies as a time of insecurity so it is likely that more and more thoughtful people will, as Anderson says, turn to the past to examine their heritage. Thus, the renewed interest in the most important of the Founding

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Fathers: Washington, Franklin, John Adams, Jefferson, Madison, and Hamilton. All have their critics, to be sure, but they have not been forgotten in the nearly two hundred years that have passed since this nation was founded. We may wish to discover what makes them great, what sets them apart from others who lived in their time.

But while we want to know what made the Founding Fathers great, few of us are interested in reading anything that treats them as plaster saints. We need to know each one's personality with all its shortcomings, that is to say, we need to treat them as human beings, for only in that way may we appreciate their greatness, only so can they serve as inspiration and challenge to us. To proclaim perfection for these men is, as Douglas Southall Freeman has explained, to deny growth. Paul Wilstach speaks of a need to "balance their noble qualities as great characters with their amiabilities as fellow human beings." We can best understand persons of the past, suggested Albert Jay Nock, if we think of them as men and women much like ourselves with twenty-four hours a day to get through as best they could. The need, in brief, is to humanize the Founding Fathers without de-meaning them.

But, it might be asked, are there really persons who may fairly be called heroes—for instance, persons who overcome their fear and risk their lives for others or persons who stick by their beliefs in the face of strong opposition or temptations? Some "intellectuals" go so far as to say there are no heroes since *all* of us are mere products of determining forces—biological, psychological, and environmental—over which we have no control; hence, we are little more than robots doing, not what we choose to do, but what these forces make us do. Granted, if the nature of man is such that he can *not* make free choices and can *not* act from disinterested motives and can *not* do what he knows he *ought* to do regardless of what he *wants* to do, it is futile to argue whether at certain times, say, during the period when America became an independent nation, particular men risked "their lives, their fortunes, and their sacred honor" out of love of principles. If, on the other hand, man is *not* a helpless pawn and *can* act disinterestedly, then we can investigate to learn *if*, for instance, the Founding Fathers were guided by principles and ideals or *only* by selfish motives disguised as a love of liberty. How the acts of the Founding Fathers will be interpreted depends, then,

not only on historical knowledge and understanding, but also on the view of the nature of man that is implicit in any work of history.

It is not unexpected that a *mass* society derogates the value and relevance of *individual* action; hence the “debunking” and disregard of our national heroes. But in diminishing our forebears we diminish rather than exalt ourselves. In demeaning the motives of the great Founding Fathers we compromise our own character as free and responsible men. And it is hardly right to live off the fruits of their commitments while insisting they were either unaware of what they were doing or were moved by motives different from those they professed.

It is fruitless, anyway, for “intellectuals” to say there are no heroes because most persons, especially youngsters, will have their heroes — like it or not. The real question is *who* will be the heroes to look up to and emulate. Daniel Boorstin has observed the modern-day worship, not of heroes but of celebrities. “The hero was distinguished by his achievement; the celebrity by his image or trademark. The hero created himself; the celebrity is created by the media. The hero was a big man; the celebrity is a big name.” These new-model “heroes” are no longer “external sources which fill

us with purpose” but “receptacles into which we pour our own purposelessness.” “The hero,” he goes on to say, “is made by folklore, sacred texts, and history books, but the celebrity is the creature of gossip, of public opinion, of magazines, newspapers, and the ephemeral images of movie and television screen. The passage of time, which creates and establishes the hero, destroys the celebrity.” Perhaps, remarks Boorstin wisely, “our ancestors were right in connecting the very idea of human greatness with belief in God. Perhaps man cannot make himself. Perhaps heroes are born and not made.”

Our generation, in its worship of the present, scoffs at history as dull and unimportant; a cocky bunch, we fail to appreciate that only if we know where the road we travel came from can we know where it will take us. We fail, too, to understand that all of us, even the greatest, stand on the shoulders of those who came before. Man, Renan has said, does not improvise himself. Likewise, American society in the middle of the twentieth century did not suddenly spring into existence, and the spiritual and material blessings enjoyed by Americans today would not be ours if those who preceded us had shirked their responsibilities to future genera-

tions as we are guilty of doing today. A true community, after all, is much more than just a group of people living at a particular moment; it is, if you will, a spiritual body including those who have gone before and those yet to be born.

Written history, explains Page Smith, is "the effort to pass on to the sons the wisdom of the fathers, and thus to preserve, rather than destroy, the continuity between generations." History thus defined will help the individual to discover his identity, for an essential part of that identity is found in the story of his past — his "collective autobiography." To destroy the links with the past and live simply in the present, he continues, is to leave oneself at the mercy of neuroses, so common in the present day. Great history, writes Smith, is "the history that has commanded men's minds and hearts, [history] with a story to tell that illuminates the truth of the human situation, that lifts spirits and projects new potentialities." For the historian himself the important thing is not to seek a cold objectivity but rather "to conceive of his task as one of sympathetic understanding of his subject, a matter of attachment rather than detachment, of love rather than aloofness." History, Maritain has said, "is not a prob-

lem to be solved, but a mystery to be looked at. . . ."

Many readers will recognize the above-mentioned ideas on history as conservative, not radical or "liberal," for the underlying premise of this concept of American history is that there is something to conserve, a heritage to treasure and to pass on to our posterity. There is, indeed; and our tradition, to put it briefly, is liberty. As Clarence Carson has demonstrated, ours is *not* a revolutionary tradition but a "tradition of individualism, voluntarism, constitutionalism, representative government, government by law, equality before the law, recognition of moral order in the universe, natural rights, and personal independence." ♦

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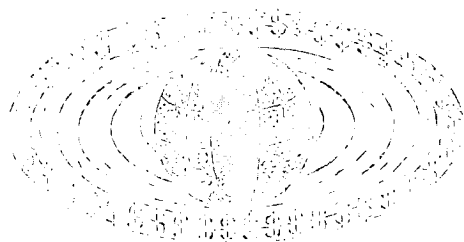
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HENRY HAZLITT



The Case for International Investment

• *This article by the well-known economic journalist and author is reprinted by permission from the February 12, 1966 special 75th anniversary edition of Farmand, oldest business journal in Scandinavia, published in Oslo.*

Dr. Trygve J. B. Hoff, 70 last November and editor of Farmand since 1935, has won friends around the world with his staunch and undeviating stand for a society characterized by law and order, freedom, and respect for the individual and the dignity of man.

Henry Hazlitt is one of the several members of the Mont Pelerin Society contributing articles on various aspects of business and economics to this commemorative issue of Farmand.

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THE CASE for American investment in Europe is simply part of the case for international investment. The case for international investment, in turn, is simply part of the case for all investment, international or domestic. And the case for freedom of investment is simply the case for free trade, for free enterprise, for economic liberty — and for world-wide economic cooperation.

Lending and investment, when wisely made, benefit both the lender and the borrower. Let us look at domestic investment first, where fewer prejudices are likely to be involved. Investment benefits the lender, of course, by giving him a return on his capital in the form of either interest or profit. He tries to get the highest return on his investment consonant with safety. Investment benefits the borrower as well. If it is a fixed-rate investment, in the form of a loan, a mortgage, or bonds, it gives the borrowing entrepreneur the capital he needs for his venture. If his venture is successful, he can pay off the amount borrowed and expand his operations with his own capital accumulated from his profits.

If the investor and the entrepreneur are different people, both share in the gain. If the investor

and the entrepreneur is the same person, and he is competent and successful, he provides consumers with some product they want that they have not previously been getting; or he provides them with a better quality of it; or he provides them with more of it, and probably at a lower price. So he benefits consumers. In addition, he either provides more employment or, if there has already been full employment in the locality of his plant, he tends to raise the level of wages there.

And this mutual benefit applies, of course, to international investment. A new foreign venture (like a new domestic venture in a given locality), particularly if it is successful, may hurt less efficient domestic (or foreign) producers already in the field. But it will do so only because it is producing a better quality product or selling it at a lower price. In other words, it will do so only because it is more effectively meeting the needs or wants of consumers in the country in which the investment is made.

Moreover, however regrettable its short-run effects may be on a particular domestic industry, the long-run effects of the new foreign venture are bound to be beneficial. For it will either force the do-

meštic industry to become more efficient (and so to serve domestic consumers better), or it will force entrepreneurs in that industry, and new entrepreneurs coming along, to turn to products in which they are at least as efficient as, or even more efficient than, the foreign entrepreneur.

In short, the case for freedom of international investment, the case for the free flow of funds, is the same as the case for freedom of international trade, for the free flow of goods. The country that permits the free flow of funds and goods will have more goods and services. It will become more efficient and productive. In brief, it will become wealthier and stronger.

Those who wish to put barriers in the way of international investment are confused by the same fallacies as those who wish to put barriers in the way of international trade.

It seems pretty late in the day to have to refute these fallacies. They have already been refuted hundreds of times, brilliantly and completely, by the classical economists and their successors.

Why Fear the Supplier?

I will digress at this point only to mention one of these fallacies, because it leads to a false fear that still has a strong popular

hold. This is that if a foreign country, say the United States, is allowed to "invade" the markets of other countries with its capital as well as its final products, it will be able to produce *everything* more efficiently than its European competition, and so destroy European industry. (I'd like to call attention here to the use of such war terms as "invade," or such natural disaster terms as "flood" or "inundate," to which protectionists habitually resort.)

All such fears are, of course, entirely groundless. They have not only been refuted by the whole course of history; they are not only refuted afresh every month by the most casual study of the statistics of imports and exports; but they are refuted *a priori* by elementary deductive reasoning. Ricardo refuted them once for all when he enunciated his law of comparative costs. But it should be obvious to the most backward mind that in the long run a country can only pay for its imports with its exports, and that the extent of the one both makes possible and limits the extent of the other. In the long run a nation cannot expand exports without expanding imports; and it cannot discourage and restrict imports without correspondingly discouraging and restricting its exports.

Trade always balances, when

governments let it alone, for the simple reason that exporters insist on getting paid for what they sell.

In the last few years all of us have been chattering learnedly about deficits in the balance of payments. But such deficits, when persistent, are always the result of unsound monetary and fiscal policies and interventions on the part of governments. Typically, a government inflates its currency faster than its neighbors, and then artificially supports its currency quotation in the foreign exchange market. But we'll return to this later.

Americans in Europe

To my short exposition of the two-sided advantages of international investment in general I should like to say a word about the particular two-sided advantages at this time of American investment in Europe.

The advantage to American investors and American firms is obvious. American investors expect to get a higher return on their investment than they could get at home. American firms open up new markets for their products, and at least at the beginning realize a higher rate of profit on them than they would by trying to achieve a further saturation of their markets at home. But the

advantages to Europe are enormous.

The world today is in the midst of a great technological revolution, which will probably transform the face of the world even more than did the Industrial Revolution of the late eighteenth and early nineteenth centuries. This technological revolution, of course, typified by electronics, computers, automation, is merely an accelerating continuance of the Industrial Revolution.

From the producer's point of view, an enormous amount of money will be made in this technological revolution. To exploit it effectively requires know-how, big markets, and huge amounts of capital. Now America has these huge amounts of capital, and it has the know-how largely because it has the capital. It is, in fact, the chief source of capital creation today. It has been spending huge amounts of capital on research and development, far beyond what European countries have spent or are able to spend. An idea of the contrast was given by the French weekly *L'Economie* in an estimate early last year that whereas France spends less than 6 billion francs a year on scientific research, the United States spends 100 billion—an amount, it adds, three times as great as that of all European countries together. The

estimate given in *L'Economie* for the United States agrees fairly well with the best American estimates, derived from figures published by the National Science Foundation. These estimates place United States expenditure for research and development last year at \$22.1 billion, of which \$15.5 billion represents government expenditure and \$6.1 billion private expenditure.

Europe, prosperous though it now is, and expanding economically as rapidly as it now is, just hasn't got the comparable capital to spend on research and development. Nor is it producing it at a rate fast enough to finance the technological revolution to take full advantage of it. It needs capital from the United States; and it needs to import the advanced plants, equipment, and productive methods that have been developed by this research.

Yet the irony of the present situation is that though private American investment in Europe benefits both Americans and Europeans, both the American government and some European governments fear and distrust it, and both are busy putting obstacles in its way.

European Government Objections

Let us disregard why the U. S. authorities fear and dislike the

outflow of American capital and turn to the reasons why some European authorities fear or dislike its inflow. It is in France, by the de Gaulle government, that the reasons for this distrust have been most clearly expressed.

At a press conference on February 4, 1965, President de Gaulle complained that the United States, in effect, was buying up European firms with Europe's own money. This accusation is so peculiar that I prefer to quote de Gaulle's exact words (that is, in English, in the official translation):

He began by pointing out that, because of the gold exchange standard, the United States is not required to settle its payments deficits in gold. He then went on:

"In other words, capital was created in America, by means of what must be called inflation, which in the form of dollar loans granted to States or to individuals, is exported outside.

"As, even in the United States, the increase in fiduciary currency which results as a side effect makes investments at home less profitable, there is a growing tendency in the United States to invest abroad. The result for certain countries is a sort of expropriation of some of their business firms."

Some Americans have been tempted to reply that this sounds ungrateful coming from a country

into which we have poured some \$10 billion or \$11 billion of aid. But this is beside the point. We must admit in all candor that de Gaulle is right in attributing part of the amount of our recent capital export to our own inflation and artificially low interest rates. At first glance, also, his charge that U. S. firms have been in effect buying out European firms with the deficit in the American balance of payments looks like a serious one. Yet there is no "expropriation" involved. Where European firms have been bought up they have been paid for with real dollars, with real money. And when European firms accept these dollars, and European central banks buy them and hold on to them for their reserves, these are (for the most part) voluntary decisions. European central banks always have the legal right to demand gold for their dollars, whether or not the American monetary managers would be happy about their decision.

I come next to the charges of President de Gaulle and others that the United States is exporting part of its inflation to Europe. It may be so; but I should like to point out that Europe is not forced to import it. Even if it takes and holds dollars, and even if these end up as additional reserves in its central banks, no country is

under any obligation to issue a new pyramid of its own credit or currency against these paper dollars. It can simply use them to strengthen its reserves and increase its reserve ratio.

When Europe imports dollars from the United States it is not importing inflation; it is merely importing temptation. It is up to the monetary authorities of each country to decide what to do with the dollars.

Domination

I come to the next charge against American investment in Europe, a charge that is again mainly heard in France. This is that the "invasion" of American corporations in Europe carries with it the threat of "domination" of the European economy.

How real is this threat? An article in the French weekly *L'Economie* of February 12 of last year pointed out that American investments in France represent barely 2 per cent of that country's gross national product. Yet what has caused concern, the article continued, is that this investment is concentrated in certain key-sectors of the French economy. And it went on to describe the situation in the petroleum and chemical industries, in mechanical and electrical engineering, and in electronics.

But the charge of "domination" may mean either of two things. It may mean merely that a foreign company enjoys an uncomfortably large proportion of the market for a specific product. This may not be satisfactory to the French producers; but it indicates that a large number of French consumers prefer it to the product of their domestic companies. And this competition is a stimulus to the French manufacturers to improve their product.

But the charge of "domination" may imply something more serious — that the American-owned companies would have too much to say about the economic decisions of the government of the countries in which they were located. I can only say that I regard this outcome as wholly improbable. The government of any country, not riddled by corruption, seldom has difficulty in exercising its sovereignty over any foreign-owned corporation. The real danger is the other way round. The foreign-owned company puts itself at the mercy of the government of the host country. Its capital in the form of buildings, equipment, and even bank deposits may be trapped. In the last twenty-five years, as American oil companies and others in Asia and South America have found to their sorrow, the dangers of discrimina-

tory labor legislation, or discriminatory taxation, or even expropriation, are very real.

Americanization

I come to one last reason for opposition to American investment in Europe — the fear of "Americanization." This is a little more difficult to deal with than some of those I have just reviewed. But "Americanization," it seems to me, may refer to several rather distinct things. It may refer to an increase in some of the conveniences, comforts, and luxuries of life — more and better bathtubs, lavatories, showers, and toilets, more supermarkets and drugstores, more radios, television sets, and automobiles. Few people — whether Americans, Europeans, Asians, or Africans — who are in a position to get these things for themselves have any objection to them.

The real objection to some of them — like automobiles — is that with advancing prosperity too many *other* people are also in position to get hold of them, and then their mere multiplication results in traffic jams that make each individual car less useful to its owner. I am willing to confess that I have no solution to offer to this problem.

The word "Americanization," however, may be used to refer to

certain spiritual and cultural changes — or, rather, I suppose I should say, to certain antispiritual and anticultural changes — to the increasing pursuit of merely material ends, to a restless increase in the pace of both business and pleasure-seeking, to the vulgarization typified by advertising billboards, jukeboxes, and the commercialization of every phase of life.

I should be the last to want to defend all this. But I should like to point out that this is a development well within the control of Europeans themselves. It is perhaps temporarily inevitable when the income of the masses grows faster than opportunities for their education and the cultivation of their tastes. But increased prosperity does not necessarily lead to increased vulgarization and materialism. I have been impressed in the last ten years by the remarkable growth in the United States in the appreciation of serious music, the reading of serious literature, and the interest in science and in the fine arts as reflected in the sales of good records and good paperback books and the attendance at art galleries.

Why U. S. Corporations Invest

I come finally to the question: What reasons induce American corporations to invest abroad and

what reasons deter them from doing so?

Of course the primary reason that an American corporation invests abroad is to make a profit. This consideration is not absolute but relative. It depends upon the alternatives. The corporation goes where it expects to make a greater profit (in relation to the risks) than it can by expanding at home or by investing or expanding further in some other country.

Of course a multiplicity of considerations affect this expectation. The corporation must decide whether it is better to build a new plant from the ground up or begin by acquiring some existing European concern. It must decide whether it wants its subsidiary to be wholly owned or whether to make its investment a joint venture with nationals of the host country. The wisdom of all such decisions depends on the special circumstances in each case. Given the opportunity for profit, the most common moving forces for overseas investment are the desire to maintain or expand sales by entering a new market, or the hope of preserving an established market in the face of tariff, exchange, or unofficial barriers. American corporations have invested in the Common Market area or even in the European Free Trade Area because these areas are protectionist

against outsiders. Another reason Americans may invest in a foreign market is because it may be possible or easier from there to export to a third market area which otherwise could not be reached because of discriminating protectionism or for political reasons. If an American company sets up a plant in West Germany, for example, it may be able to ship into East Germany. Or it may set up a plant in some other European country to take advantage of bilateral arrangements that do not exist in countries where it already is.

Once a decision has been made to invest abroad, a number of other considerations dictate the choice of *which* country shall receive the investment. These can be grouped into governmental factors and nongovernmental factors. With respect to the first group, American investors seek out a country that has political, financial, and economic stability, a favorable official attitude toward private enterprise and the profit motive, and little or no corruption within the government. Turning to nongovernmental factors influencing the choice of country, American investors will consider the availability of skilled and unskilled labor, managerial personnel, banking facilities; road, rail, and harbor facilities; ancillary or

supporting industries; power facilities; and labor costs.

The question of labor costs is more complicated than is commonly supposed. It is not simply a question whether wage rates are low in a given country, but whether they are low or high in relation to the skill and productivity of the labor available there.

Another reason for direct investment in a given country is that the *material* is there. This of course is *the* reason in the case of the extractive industries — oil, copper, bauxite, etc.

Deterrents to Investors

The reasons why American corporations may *not* make investments abroad are mainly that some or all of these favorable conditions do not exist.

Let me give a brief list of *some reasons that will deter private investment in a country*: (1) lack of government cooperation or enthusiasm; (2) lack of local financing facilities; (3) lack of guarantees on repatriation of capital and profits; (4) restrictions on fields of investment; (5) limitations on ownership by nonnationals; (6) burdensome taxes; (7) unstable currency; (8) currency exchange restrictions; (9) import license difficulties on essential materials, machinery, or know-how; (10) burdensome social security legis-

lation; (11) price controls; (12) discriminatory laws; (13) government-owned competition; and (14) the possibility of expropriation.

I may have seemed to be arguing here that American investment is an unmixed blessing for Europe, and that all opposition to it is the result of misunderstanding or unreasoning prejudice. I do not wish to give that impression. I have thrown my emphasis in this direction mainly because I am writing in a European periodical. If I were writing on this same subject at home my emphasis would be different. I would devote at least part of my discussion to deploring and warning against some of the mistakes that Americans make abroad, both in actions and attitude — condescension, brashness, disregard of local customs and methods, refusal even to try to learn the local language, failure

to employ nationals of the host country to the greatest possible extent, and so on. Such actions and attitudes breed a perfectly justifiable resentment.

But the faults I have been describing are in the main the faults of the more recent arrivals in Europe among American companies. An official of the Parker Pen Company tells about a conversation he fell into with a London taxi driver. "Are you over here for pleasure, sir?" asked the taxi driver. "No," replied the American, "on business." "What's your business?" asked the driver. "I'm with the Parker Pen Company," replied the American. "Oh," asked the taxi driver, "does America have a Parker Pen Company, too?"

Well, *that's* the impression that every foreign corporation ought to give in the country in which it has a subsidiary. ♦

IDEAS ON LIBERTY

Climate for Progress

IN A NATION without a thriving business community, private wealth is generally stored in vaults, or used in conspicuous consumption, or invested in real estate, or placed with business communities abroad. But where a country's private business is not subject to Procrustean measures of control, this private wealth is less likely to be shipped abroad, buried, or otherwise diverted into circuits of low economic potential. It is likely to come out of hiding, or to be brought home from abroad, particularly since the prospects of profit are normally higher in a poor country if the political environment is good.

HAROLD FLEMING, *States, Contracts and Progress*

A Clergyman Looks at Free Enterprise

NORMAN S. REAM

I BELIEVE that a great number of clergymen in this country despise socialism in all of its forms, whether it be called the New Deal, the Fair Deal, the New Frontier, or the Great Society. But they are not in the majority, and they are not quoted continually in the newspapers and magazines. They are certainly not the executives of national church groups which are constantly issuing, or causing to be issued, statements proposing an ever greater expansion of the welfare state. You will perhaps have noted that most of the ultraliberal spokesmen for religion are in executive positions or in theological seminaries. Very few of them are parish ministers and parish priests. Unfortunately, however,

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great numbers of clergymen on the parish level are strongly influenced by the voices which emanate from church councils and seminary campuses.

Let me tell you what I think the typical clergyman is like when it comes to economic and political matters. First we must go back into history a bit. Back in the early thirties, a great many people in this country — clergymen included — developed what Ludwig von Mises calls an anticapitalistic mentality. Several religious denominations adopted resolutions which condemned capitalism equally with communism. One group voted a resolution condemning capitalism and advocating its elimination, along with the elimination of the legal forms and moral ideals which sustain it. Because church-

men, for the most part, were woefully ignorant of economics and the causes of depressions, they blamed all of the suffering and economic malfunctioning which existed in our country at that time on what they mistakenly referred to as *laissez-faire* capitalism. Although this mentality has moderated generally during the last thirty years, it is still prevalent in official circles.

Economically Uninformed

The clergy, like most of the population, is, as I have already observed, woefully ignorant of economics. There is one difference, however: the clergy are leaders in the community and have therefore a greater responsibility for being informed, especially if they are going to issue pronouncements and pass resolutions. But time after time I have sat in meetings where clergymen argued the pros and cons of certain political matters concerning which they were abysmally ignorant. I well remember on one occasion sitting in a meeting where a group wanted to pass a resolution favoring the adoption of the United Nations Declaration of Human Rights. They were almost unanimously in favor of it but when I asked them how many had read it, not a single person present had read the document through. It had a nice title, it

sounded good, prominent persons were pushing it, so they were for it.

Most clergymen have been so trained as to develop a sensitive conscience. When they see injustice and need in human society, they want to do something about it. They do not always stop to consider what is the best thing to do, over the long run and for all concerned. Over and over again in talking with politically liberal ministers, when I have challenged the socialistic method of meeting the problem, I have been asked, "Well, don't you care about these people who are suffering or undergoing hardship?" And of course I do care, as all of you care, but one has to be cautious in his care. He has to care enough to see the problem as a whole and not partially.

What Are the Consequences?

This leads me to another strong conviction shared by Dr. Mises. I had the privilege of studying under him, the dean of classical economists, in two summer sessions. Over and over again, when confronted with a difficult economic problem, he would insist that we have to consider the long run and not just the short run. To solve an economic problem by meeting an immediate need but ignoring the long run conse-

quences, is not to solve it at all. Such a method often raises greater and more difficult problems.

May I suggest a very simple analogy. If a panhandler accosts me on the street and is obviously hungry, ragged, and in great need, I can give him a couple of dollars which will solve all his immediate problems. It will get him something to eat and a bed. But have I really solved his problem? Of course not. His problem is much more deep-seated than that, and although this is a simple analogy, it is a pertinent one. Many ministers think the solution of our complicated and difficult economic problems are likewise simple: just get the government to tax those who have and give to those who have not. That, they suppose, will create a just and equitable society.

Well, we have been doing that with increasing intensity over the past thirty years. We have, to be sure, met some of the immediate needs of men and women who perhaps didn't have enough to eat and enough to wear and proper housing. But let us look at some of the consequences during those thirty years. We have a greatly enlarged national debt, we have greatly increased taxes, we have inflation, we have a greater crime rate, divorce rate, alcoholism rate, narcotics rate; and in spite of our affluent society, there is a strong

undercurrent of feeling in our country that not all is well. Now, would you reply that all of these consequences I have enumerated are not necessarily the results of a socialistic economic policy? I think there is a relationship, and we need a lot more study to determine just what that relationship is; for those statistics apply not only to our own country, but to every country which has gone increasingly socialistic.

A Common Failing

Now, this condemnation of economic ignorance should not be reserved for clergymen. There are also businessmen who are economically ignorant. It is not an occupational hazard or professional disease reserved for one segment of the population. When Milton Friedman of the University of Chicago says that the two worst enemies of freedom are liberal professors and businessmen, this is part of what he is talking about. It is economic ignorance that tempts a businessman to seek a quick profit at the expense of a long-range economic gain. It is moral ignorance that lets a businessman break the law or pull a fast deal to the detriment of all business and businessmen in the future. I am no economic expert myself, but I know a fake when I see one; and lots of business-

men I have known are fakes in this area. In a really *laissez-faire* economy they couldn't exist. It is the protection of government which often saves them from failure.

Not only are most clergymen, like so many Americans, ignorant concerning the fundamentals of economics; they are also ignorant, like so many Americans, of our rich heritage, and of what it is that has made this country so great and wonderful. Typical of this national ignorance is that poll which recently revealed that 85 per cent of our young people did not think patriotism was vital or played any important part in life; 61 per cent did not think the profit motive necessary to the survival of free enterprise; and well over 50 per cent were in favor of close government regulation of all business.

Spoiled Children of History

I must confess that I am not optimistic about the future of our Western civilization and our traditional free institutions. Our civilization and the institutions of our Western culture depend upon understanding and awareness, and they often demand sacrifice. The American people today are in no mood to sacrifice. We are the spoiled children of history.

What it all comes down to is

that, among others, the religious leaders of our Western civilization are disillusioned because the free enterprise system has not brought about a national and international utopia. Their reasoning seems to be somewhat as follows: The traditional American system has not transformed all men into saints and solved all the problems of human nature; therefore, there must be something wrong with the system. There being something wrong with the system, the obvious answer is to do away with it and try some other system. Such reasoning does not properly assess what this system has done over the past 200 years. It does not understand and appreciate its benefits to mankind around the world.

Free enterprise, on the other hand, has not sold itself to the recipients of its own benefactions. Those whom it has blessed most do not appreciate it or understand it. They seem blind to the fact that socialism has produced, when compared to free enterprise, practically nothing; and the little it has produced has been at the cost of human dignity and self-respect.

Did you see those figures published by the director of the census a while ago: According to our government, if you make under \$4,000 a year you are in poverty. Yet, three-fourths of the families making less than \$4,000 a year

have their own washing machines. Almost 93 per cent of them have television sets; 60 per cent of them have automobiles available. The average Negro youth in the South in the United States has a better opportunity to get a college education than the average white young person in England. Why, in light of all of this, are there men and women in America – and especially clergymen – who don't like the system that has made it all possible? Is it perhaps an underlying feeling that man does not live by bread alone, that we don't have all we need in order to really live happy, useful, meaningful lives? There's something missing, and clergymen are apt to see this more quickly, more sharply, than others.

The Role of the Church

Here, clergymen come face to face with their own failures and that of the church. It is the business of the church to purify men's motives, to enrich their spirits, to inspire them with lofty aims and purposes. This is not the function of a manufacturing concern or a bank. When the clergyman sees business meeting man's material needs, but the church failing to meet his spiritual needs, he gets a guilt complex which sends him to Selma, Alabama, and out onto the picket line. It is the business

of the clergyman and of the church to build religiously oriented individuals with strong moral character and send them out into the world to transform that world into something more akin to the Kingdom of God. Because that Kingdom is so slow in coming, because the church is so ineffective and weak in its task, there are those who now want to go out and take the Kingdom by violence, as Jesus warned they would. Business, free enterprise, capitalism, the profit motive – all of this becomes the scapegoat for every evil that exists in society. The clergyman, I sincerely believe, is unconsciously passing the buck for his own professional failure. But it is not his failure alone. It is the church's failure as well; and most of us are a part of the church. It is, therefore, our failure, too.

Each individual within the capitalistic system has a responsibility to be a moral man, and any time any one of us acts without integrity, it reflects on the system. When one business breaks the law, all business comes under condemnation. When one executive is immoral, all executives tend to be branded.

Do you remember what Albert Schweitzer said when somebody asked him what was the greatest force and power in the whole world? He answered, "Reason,

persuasion, and example, but the greatest by far is example." We have had too many examples of immoral businessmen or improper business activities which are not due to the system under which we operate, but due to immorality within individuals. All of these things, in the mind of the average man, reflect on the system, on business, on our free way of life.

Albert Jay Nock insisted, in the title of one of his books, that the state — not government, not politicians, but the state — was man's enemy. By its very nature it tends to grow and intrude upon man's personal freedom. It was for this reason the Founding Fathers sought to set up strong safeguards against the state's arbitrary use of power.

Nock and the Founding Fathers were alert to the warning issued centuries earlier by Confucius. Traveling with some companions along a lonely mountain road he came upon an old woman weeping. Questioned by the disciples, she replied, "O, sirs, some time ago

my brother was killed at this spot by a ferocious tiger. Last month my husband was killed in this same spot by the same tiger. Yesterday my son was likewise killed." "But, old woman," asked the disciples, "if the tiger was so dangerous why did you not leave this spot?" "Because, sirs," she replied, "because there is no oppressive government here." Confucius then spoke and said, "Remember this, my sons, oppressive government is more to be feared than a ferocious tiger!"

Civilized man has always felt himself to be a creature with a divine origin. As such, he has believed he ought to be free from the domination of other men. For this conviction he has often been willing to give his life.

The time will come, I believe, when men will once more cherish freedom as did our fathers; and it will be because they have learned anew that man does not live by bread alone, even that bread provided by a benevolent, but omnipotent government. ♦

IDEAS ON LIBERTY*Samuel de Puffendorf*

HE IS JUSTLY ESTEEM'D the more excellent Citizen of the World, and the more generous Benefactor to his Fellows . . . the more diligent he hath been in advancing his own Perfection.

SOME REFLECTIONS ON ROBOTS

LEONARD E. READ

MEANS are often confused with ends. Thus, when we focus on the employment-unemployment picture, as I do in this essay, the tendency is to overlook the fact that job holding by itself is, as a rule, but a means to the satisfaction of wants. The growth of any individual's physical and mental faculties does, of course, demand exercise, but having a "job" isn't always necessary for that; these faculties can be and often are more exercised by the jobless — coupon clippers, for instance — than by job holders.

So, we're not seeking employment merely for the exercise. Human labor for its own sake is seldom our aim; we labor in order to enjoy its fruits in the form of food, clothing, and shelter, or to satisfy other physical and spiritual hungers. And one of the most essential qualities of being

human is the urge to be relieved of burdensome effort and freed to pursue more desirable objectives. It is this urge, when men are free, that causes the invention of mechanical slaves — our tools and machines; they free us for something hopefully better. This is also why we specialize and trade.

In a world which has an infinite amount of work to be done, involuntary unemployment is inconceivable — provided the market is free. Unemployment is always the result of price (wage) and other coercive controls. Automation, as I shall attempt to demonstrate, has nothing whatsoever to do with it. Our mechanical slaves — labor-saving devices of all kinds — stem from the recognition and pursuit of higher wants than mere survival; they are the means toward such ends. Let us therefore try to clear away some of the confusion

that attends the employment-unemployment problem as related to automation.

Whenever we come into possession of a source of mechanical energy equivalent to one man's energy, we have added to the work force a mechanical slave, an automaton, a robot.

No question about it, the robots, at first blush, appear to cause unemployment. Take the automobile, for instance. It disemployed buggy and wagon workers, whip and harness makers, stable hands, and a host of others. True, some went to work for the auto makers but, nonetheless, the automobile — automated travel, the product of automation — made for unemployment. So goes the chant.

The Facts Deny the Theory

Regardless of that first impression, we know that robots do not, in fact, cause unemployment. For instance, we have experienced an enormous outburst of automation, yet a high percentage of the population — about 80,000,000 — is on the work force; today's many areas of acute labor shortage refute the notion that automation causes unemployment.

Quite possibly we could settle the whole question in our own minds by merely reflecting on primitive automation: the wheel and a domesticated animal. The

ox-drawn cart, instead of putting the owner out of work, gave him higher level work and multiplied what he could produce and thus consume.

Or, consider the story of two men who were watching a huge steam shovel removing earth in preparation for the building of Hoover Dam. Said one, "Think of all the men that shovel is putting out of work!" Replied the better economist of the two, "There wouldn't be a single person working on this project if all that earth had to be removed by men with their hands."

Yes, the automobile disemployed buggy workers, but in the same sense that the ox-drawn cart relieved primitive man from doing everything by hand. Failure to see this point leads many people to believe that automation causes unemployment.

If robots are the cause of unemployment, then the telephone — automated communication — must have wrought havoc. The fact? The operating companies employ over 700,000 people, and several hundred thousand are employed by the suppliers. But surely, some will contend, automatic dialing disemployed a great number of switchboard operators. The fact? There are nearly 50 per cent more operators today than in 1940. Why? Because automatic dialing

made possible so much more use of the telephone than before. If the present volume of conversations had to be connected manually, at least 1,000,000 switchboard operators would be required. Of course, this is a fictitious "if." The manual operation would be so inefficient relative to automatic dialing that the volume would require no such number.

If automation caused unemployment, then it would follow that an addition to the work force of any mechanical energy equivalent to one man's energy — one robot — would disemploy one man. However, this is contrary to observed fact. Today in the U.S.A., each worker has perhaps 135 mechanical slaves — helpers or robots — working for him, each contributing energy equivalent to the energy of one human worker.¹ If each robot displaced one worker, the unemployment figure would be

135 times the present work force — 10,800,000,000 — an utter absurdity.

If these robots do not displace workers, then where does all this extra energy go? Should we discover the right answer, we will know whether they are the workers' friends or foes and, as well, whether we should try to encourage or discourage their proliferation. Let's try to find the answer.

In Grandfather's Day

My grandfather, recalling the 1850's, used to repeat, "Many times have I walked thirty miles in a day." His boast recently came to mind as I flew from New York City to Kansas City (1,100 miles) in two hours. It would have taken grandfather about 280 hours of walking to negotiate that distance. He would have been on his way to Kansas City for thirty-seven days. Only 365 round trips would have taken every day of his long life.

Grandfather, in his early days, had only his own energy at his disposal — just one man-power. Now assume that he had walked to Kansas City, taking 280 hours. I made it in two hours by jet. Isn't it clear that something has to account for that 278 hours miraculously, one might say, put at my disposal? What made this possible? It was, among other factors,

¹ The figure of 135 mechanical slaves per worker is believed to be conservative, though there are too many variables to afford proof positive. The electrical industry estimates that 67 KWH's is equivalent to the energy of a man working an 8-hour shift for a year. More than a trillion KWH's were generated in 1965, which would mean nearly 200 electrical robots for each person in the work force, assuming that there were no energy losses in transmission and use. Some machines convert energy more efficiently than others; some humans are more energetic than others; so the figure is a guess, at best.

the billions upon billions of robot days that assisted in the construction and the operation of that jet!²

But these robots did more than give me 278 hours unavailable to grandfather. There were 100 passengers on that flight, a freeing for other use of 27,800 hours. Further, that very same jet may be good for 25,000 such flights or a total freeing of 695,000,000 hours. And that jet is only one of hundreds of commercial jets. Add all the commercial prop jobs and all the private planes, and the liberated hours become astronomical. Anyway, that's where some of the robots' energy went, without putting anyone out of work.

The Chance to Grow

We must, of course, keep in mind that the energy of robots going into airplanes is but some very small fraction of all automated energy. But the statistics do not matter; what is important is that we understand what these robots do for us and, also, to us. For one thing, they multiply our

opportunities for unique, enriching experiences. When taking the family for a drive at 60 miles per hour, speculate on why the trip is possible and what is propelling you at this speed! Think of the situation were only shank's mare available. Or why you can read a book instead of washing the dishes, or write a poem instead of foraging for food. You will, perhaps, stand in awe of and give some credit to the robots for relieving you of the necessity of sloshing around in the rice paddies or scrounging for rabbits so you won't starve or, yes, from making buggy whips.

Or even more: perhaps these robots have something to do with your very existence. Less than 400 years ago this land we call the U.S.A. had a population variously estimated at 250,000 to 1,000,000. Why so small? It was not because of the Indians' inability to breed, nor because of unfriendly climate or infertile soils, nor for any lack of natural resources. It was because a foraging economy would not support more than then existed. Assuming no improvement over that type of economy—no robots except some horses—the chances are at least 200 to 1 that you would never have known adult life.

But back to grandfather: he never saw Kansas City; indeed,

² I must not leave the impression that added mechanical energy alone accounts for all material progress. There is gain, for instance, in every voluntary exchange. An idea, a flash of insight, an improved concept of freedom, the abandonment of a coercive practice, an incentive, a spirit of entrepreneurship, the practice of integrity, in short, spiritual activities, add incalculably to material as well as to other forms of progress.

through his teen years, he never went beyond his walking orbit. I, on the other hand, have visited Hong Kong, as far from home as I can get; my air mileage alone is now equal to eighty loops around the world. Grandfather didn't have time enough to do very many things. I have the time to do a thousand times as many things, and by reason of your and my mechanical helpers, the robots. This, of course, explains why timesavers multiply busy-ness — there are so many more things we can do. For good or ill, we are far busier than our ancestors ever were.

Grandfather never talked over a telephone in his life. I reach my son — 2,600 miles away — in 10 seconds; I have talked across the Pacific, to Buenos Aires, Gander, London, Mexico, and to every nook and cranny of the U.S.A. If the robots have disemployed me, it is from the limited opportunities grandfather experienced. There is a better way to put it: the robots have liberated, not disemployed, humans.

Robots Are a Response

Robots put people out of work? On the contrary, robots become economically feasible and appear in our lives only as the result of a scarcity of human labor to accomplish all the tasks we want done. It doesn't pay to do by machine

what can be done more cheaply by hand. Businessmen tend to mechanize or automate after, rather than before, laborers have moved away from a particular job.

For example, our operation at FEE calls for three large mailings every two months, requiring 20 workers for two days on each occasion. When we began two decades ago, we trained local housewives for this part-time work and paid the hourly minimum wage of 80 cents. Afterward, the minimum was raised to \$1.00 and later to \$1.25. Now assume that FEE was on the brink of bankruptcy, that is, at that critical point where a few hundred dollars would tip the scales toward institutional survival or closing, and that the latest minimum wage raised our costs to that point. What to do? We bought some robots in the form of a machine: press a button and it automatically collates, stuffs, seals, and stamps, doing the work of the women, quicker and at lower cost. True, the part-time women lost their "pin money" jobs but the rest of us were saved from losing ours.

Most people will say that the robots disemployed the women, a grave error. The culprit was none other than the minimum wage law — governmental interference with the free market. It was bad law that sent our women back to

housework. As these costs of governmental intervention rise year after year, more and more employers are faced with failure. The robots have performed a remarkable and incalculable rescue mission.

Men to Match Machines

There isn't anything wrong with automation per se. The serious problems cropping up are not because of the robots but because of the people who are blessed with them. These problems, as near as I can fathom them, have their origin in an imbalance between technological know-how and economic, political, and moral wisdom. The former is remindful of an explosion; the decline of the latter amounts to apostasy. This is dangerous, for an increase in the robots we command calls for a commensurate increase in understanding and virtue. It isn't at all promising to put a chimp at the wheel of a truck, a truck driver at the controls of a jet, or a people in command of a powerful system of robots the interworkings of which they but dimly understand. If we aren't to be done in by our own creations, what then is it we must understand?

The kind of automation that proliferates opportunities as to varieties of employment and, at the same time, multiplies the

kinds of goods and services that may be obtained in exchange for the fruits of one's labor, is exclusively a free market phenomenon.³ Such automation cannot, as is so often demonstrated, be transplanted into or copied by authoritarian societies. Robots that serve the masses are first the outcroppings of freedom and then of capital formation, and cannot exist where these two absolute essentials are absent. For instance, steel mills have been built in Russia, India, and other socialist countries, the effect on the masses of people being further impoverishment. Automobiles are not being produced for the masses in Russia; only the Commissars can have them. And so it goes. The point of all this is that if we substitute the governmentally planned economy for the free market, the mass-serving robots will tend to disappear until they become as scarce and useless here as they are in the USSR! This is only

³ I am omitting any discussion of the robotry that does not originate with free market processes, the kind that can be and is made possible by the coercive collection of funds, the type used to make sputniks and to put men on the moon. Robots originating with socialist processes impoverish rather than enrich the masses of people. For an explanation, see the chapter, "How Socialism Harms the Economy" in my *Anything That's Peaceful* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1964).

a part of the understanding that must accompany our increase in technological know-how. There is much more.

Specialists Are Dependent

As only casual observation reveals, automation spells specialization — in our own case, to a fantastic degree. This, in turn, increases interdependence. Is it not self-evident that all of us — no exceptions — are dependent on the free, uninhibited exchanges of our numerous specializations?⁴ In short, we are at a level in interdependence that can only be sustained by a highly intelligent, perceptive, and moral people. For support of this contention, reflect on what's involved.

These exchanges, it is plain, are essential to survival. Nor can they, in a specialized society, be achieved by barter; they cannot take place without an economic circulatory system, that is, the medium of exchange — money. And

⁴ Automation makes for specialization which, in turn, increases our interdependence on the high quality behavior of each other. But a new and awesome *dependence* also develops: our dependence on the robots! They become necessities, that is, sources of energy we must have in order to survive. Example: man-contrived electrical energy. A century ago its elimination would have had no perceptible effect. Were it suddenly eliminated today all of us, except the few who could exist by foraging, would perish. See "These Our Gifts," THE FREEMAN, October 1958.

any act, private or public, which lessens the integrity of the circulatory medium correspondingly imperils the complex exchange processes. Inflation, brought on entirely by governmental excesses, and encouraged by a people who do not understand the simple economics of the matter, is the culprit that erodes the integrity of the medium. Thus, a people who extravagantly automate and who do not at the same time know more about, and practice with increasing scrupulosity, the economic and moral facts of life are headed for a disaster greater than inflation has ever brought on in other countries.⁵ To fully appreciate this danger, one need but recognize how far each American is removed from self-subsistence, or to recognize how impossible survival would be were each individual to exist only on what he alone produces. For reasons not easy to explain, understanding appears to be decreasing as robots are increasing.

One can hardly imagine a societal situation more chaotic than one with specialization on the increase as freedom in transactions

⁵ Students of liberty will find it profitable to read and reread Andrew Dickson White's classic, *Fiat Money Inflation in France* (Irvington, N. Y.: Foundation for Economic Education, Inc., \$1.25 paper, \$2.00 cloth, 125 pp.).

is on the wane. As robots increase and augment our specialization, so must there be an increase in free and willing exchange, freedom of choice, the free market. As robots appear, coercion — governmental control and rigging of the market, for instance — must correspondingly disappear. Simple reasoning as well as all the evidence attest to this fact. Yet, an alarming number of people — teachers, clergy, politicians, even entrepreneurs — are blind to it.

Can Progress Occur in the Absence of Obstacles?

I have suggested that it isn't easy to explain why understanding seems to shrink as automation expands. Is there, perhaps, a correlation between struggle and sound thinking and, conversely, between easy affluence and intellectual decadence? Of one thing we are certain: our robots confer more and more material satisfactions with less and less effort on our part.

The present trend is toward increasing material affluence in return for decreasing effort. Literally millions of individuals are approaching a something-for-nothing way of life. Obviously, it is difficult to keep mentally rigorous when the robots are doing one's work. Indeed, mental rigor may be impossible unless the individ-

ual experiences a cultural growth commensurate with growth in affluence. This is to say that the individual may vegetate unless he realizes that the purpose of wealth is to release him from drudgery so that he may more vigorously pursue those potentialities and aptitudes uniquely his own. If the robots are to induce our getting out of life — vegetating — rather than getting ever deeper into life — growing — then the late Dean Inge's observation is indeed prophetic, "Nothing fails like success."

The struggle to overcome is the genesis of becoming. It is the law of polarity, the tension of the opposites, that spells growth, development, progress; at least this appears to be Nature's dictum. Men need new frontiers to explore and occupy and transcend, not in the form of politically contrived obstacles — heaven forbid! — but in the form of challenges worthy of the mind of the individual human being striving toward his potential. When the struggle for existence is eased, higher level struggles must be substituted: expanding awareness, perception, consciousness, in a word, difficult, hard-to-overcome intellectual, moral, and spiritual goals. This is by way of saying that disaster cannot be avoided unless a growth in wisdom be up to and on a

parity with a growth in technological know-how.

Elevating Our Ideals

But here is the rub: material hardship, once overcome, does not and cannot serve as the obstacle, the tension, the springboard for this required growth in wisdom, this flexing and expansion of the intellectual and spiritual faculties. Material hardship is an obstacle supplied by Nature or, if you prefer, by the environment. But once overcome, man is on his own; he has to make his own obstacles in the form of rationally constructed goals. As the French scientist, Lecomte du Nouÿ, phrased it, "To really participate in the divine task, man must place his ideals as high as possible, out of

reach if necessary." And is not this creating of our own obstacles, perhaps, the profound lesson we should learn from the robot explosion?

The robots presuppose our knowing how to live with them. They, as an auto, TNT, sulphuric acid, a jet plane, are dangerous in the hands of those who do not know their properties, of those who are unaware of automation's deeply significant meaning. The robot army, in its present dimensions, requires, at a minimum, an understanding of private property, free market, limited government principles—economic and political enlightenment—far superior to any such understanding ever achieved up to this period in history. ♦

IDEAS ON LIBERTY

Labor Saver

WHEN A MACHINE is invented that does the work of twenty men at the wage cost of one, we are all beneficiaries. When a merchandising plan is invented that clips 5 per cent from the cost of distribution, every consumer is a little better off. When electronics brings first-class entertainment and instruction into our homes at negligible expense, we all live a little more abundantly.

We make progress in two ways: first, by individual effort, and second, by the efforts of others. In the last thirty years the dullest and least enterprising among us have been lifted to a standard of living and comfort that could not be achieved by any, except a very few, two hundred years ago.

WILLIAM FEATHER, *The William Feather Magazine*, January 1966

The recent Finance Bill of Mr. James Callaghan, Britain's Chancellor of the Exchequer, is perhaps the most dangerous of a long and continued series of assaults upon the free enterprise system in that nation.

The fact that freedom is similarly threatened in the United States and elsewhere gives universal importance to the alarm sounded from London by the Institute of Directors representing more than 40,000 British businessmen.

THE ASSAULT ON FREE ENTERPRISE

BRITAIN LIVES by free enterprise. It is the whole basis of our way of life. Even those who openly abuse and deride free enterprise admit that four-fifths of the nation's business should stay outside the net of nationalisation.

Now there are ominous signs of the free enterprise system being eaten away without the country's citizens being aware of it. Indeed the most alarming thing about the latest and most dangerous assault on free enterprise is that so many people are not really alarmed.

They seem not to have noticed

the cracks in the ice, the plume of smoke from the volcano, the shifting of the landslide; or if they have seen it, they dismiss what's happening as something remote. "It doesn't affect me personally, so why should I worry?"

By the time you have finished reading this booklet, we believe that we will have shown how it does affect everyone personally, why it's not just the concern of the nation's businessmen, but is in truth everyone's business.

Mr. Callaghan's Finance Bill is the sharpest and most open warn-

ing yet. It will cut deep and has shocked a lot of people, ordinary people who saw themselves a mile away from this sort of issue. But, make no mistake: the subtle process had already been going on for some time before Mr. Callaghan got to his feet on Budget Day. *He made no secret of the fact that his measures were not a "once for all" burst of radicalism. Far from it. They are meant as the first in a long series of anti-business restrictions.*

Capital, says the Chancellor in effect, is the enemy. Let us beat it to its knees. And in doing just that, he cuts off industry's raw material. For without capital, the free enterprise system must wither. The wall is breached. The State walks in.

An assault on capital is an assault on the means whereby businesses grow. It is an assault on the reasons *why* businesses grow. The assault on capital takes shape for all to see if they have a mind to do so. Look at the facts.

Hard to Raise Capital

The government makes it increasingly tough for the businessman to get new capital. It's not only practically difficult. It's almost socially indecent. Savage and steeply progressive tax rates on individuals and on companies—and a political bias which favours the

spenders rather than the savers—make it impossible to build up reserves. Robbed of reserves, the market dies. The businessman may recall from his school days the task of Sisyphus, one of the Titans who was condemned to roll up a hill a stone of ever-increasing weight; the businessman has this dubious advantage over Sisyphus—he *knows* he can't win.

But the assault doesn't stop there. It's almost as difficult today to keep capital in a business as it is to accumulate it. Compared with the new Capital Gains Tax, death duties were a mild imposition, a feather touch compared with a full-blooded lash. The Capital Gains Tax makes no allowance for inflation. It is thus a recurrent capital levy, that once-for-all tax Sir Stafford Cripps, the spiritual forebear of Mr. Callaghan, imposed in 1948. Of course, it will mean the end of the small business during the owner's working life-time. (When Mr. Heath made this point in the Commons debate on the Finance Bill a voice from the Labour benches called, "And a very good thing, too.")

What is the ultimate source of new capital? The answer is—profits. And now, deliberately, profits are being buffeted from every direction: by taxes piled on taxes, by compulsory contributions, by forced levies, by any amount of

cost increases coming directly from government decision. Knock the profits, and you knock the system by which they are made. It's all very simple.

Investors, too, find themselves in the front line. The government institutes a vindictive tax policy — "unearned income" is an attractive catchword for those with neither the wits nor the thrift to acquire it. This shrinks the possible return on the investment stake and has now dimmed even the hope of capital gains. Investors are rebuffed no less by the Corporation Tax whose clear purpose is to cripple their chances of a share in profits.

How Long?

What's the total of this dismal arithmetic? At every stage success is penalised, ambition curbed, and enterprise stillborn. The remarkable thing is that business activity and investment should, so far, have withstood this brutal assault as well as they have. But there is a limit to the punishment they can take. From now on, the effects will increasingly be felt. New businesses, new investment, new enterprises will dwindle. They must. For the seed-corn is being eaten.

Does all this matter? Well, of course it matters to the business community. But in fact, it matters

very much to all those who abhor the prospect of an omnipotent state, all those who want to live their own lives.

Let's get the record straight here—it's unlikely that anyone else will. What we call the free enterprise system is not just another economic theory, an "ism" in the same breath as Marxism or socialism: it is freedom. Without economic freedom, without the freedom to save and spend, to accumulate and invest and inherit, without the freedom to mis-spend (for we need no-one to tell us whether we are spending our own money wisely or not), personal freedom disappears.

Destroy free enterprise and we will forfeit the right to make up our own minds: the final sacrifice. If nobody has any capital, if nobody can launch an enterprise without the state's approval, then the rape of free enterprise is complete. This means the death warrant for any man with the enterprise and guts to start his own business.

No businessman is stupid enough to believe that in a period of rapid technological change and huge capital requirements there aren't problems to be solved: big problems, social and structural. They demand consideration. They can be solved. But the last people to solve them are governments

and their economic advisers who either because they just don't understand the problems, or are swayed by political doctrines, are out to sabotage the whole system.

That's the situation. It's extremely dangerous. If the socialists have their way, Britain will get less and less investment, less and less accumulation of capital, fewer rewards for efficiency, a rapidly dwindling number of

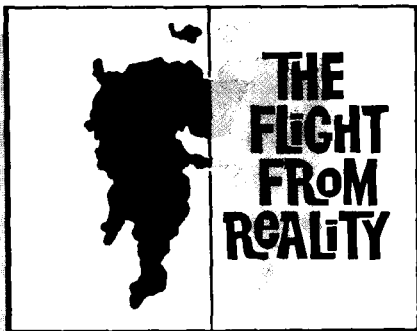
pioneers and merchant adventurers. There'll be no more Nuffields. Least of all can the business community afford to ignore what is happening or dismiss it as "mere politics." But the peril goes deeper — it strikes at us all. *The peril, make no mistake about it, threatens our way of life, it threatens our future prosperity, it threatens our freedom — yours and mine.* ♦

IDEAS ON LIBERTY

The Misfortunes of Intervention

ALL THE MISFORTUNES that our beautiful France has been experiencing have to be ascribed to "ideology," to that cloudy metaphysics which goes ingeniously seeking first causes and would ground legislation of the peoples upon them instead of adapting laws to what we know of the human heart and the lessons of history. Such errors could only lead to a regime of men of blood and have in fact done so. Who cajoled the people by thrusting upon it a sovereignty it was unable to exercise? Who destroyed the sacredness of the laws and respect for the laws by basing them not on the sacred principles of justice, on the nature of things and the nature of civil justice, but simply on the will of an assembly made up of individuals who are strangers to any knowledge of law, whether civil, administrative, political, or military? When a man is called upon to reorganize a state, he must follow principles that are forever in conflict. The advantages and disadvantages of the different systems of legislation have to be sought in history.

From Napoleon's reply to the Council of State
at its session of December 20, 1812.



23. *The Flight from the Constitution*

PART I

CLARENCE B. CARSON

THE CONSTITUTION of the United States was the major obstacle to the use of the government to reconstruct American society. Social reconstruction by government, if it could be done, would require the concentration of power in a single government, the central direction of the exercise of that power, and a concerted effort over an extended period of time. The latter would be a requirement if it were to be done gradually, and it should be clear that this was the method generally approved by American reformers. Ushering in utopia by government action would require not only an initial control over the lives of Americans but also a continuing control such as to make

continuing popular decisions impractical, undesirable, and disruptive of the whole course of development.

The Constitution was carefully drawn so as to make such uses of the government which it authorized exceedingly difficult, if not impossible. The Founders did not have in mind preventing meliorism (or socialism), of course, for they had never heard of it, though they were familiar with mercantilistic approaches to amelioration. They were concerned with protecting the liberty of individuals and preventing the government from becoming tyrannical. Any provisions that tend to accomplish this object will, at the same time, place obstacles in the way of using the government for social reconstruction. Tyranny is made possible by concentrated and unchecked power.

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er, by the very conditions which are necessary for social reconstruction.

Beware of Factions

The Founders were not familiar with meliorism but they were acquainted with factions, interest groups, and parties. They were aware, by way of history, of the damage done to republics, to popular governments, and to liberty by men joined together in factions and using political power to achieve their aims. In short, they were conscious of the dangers of faction and party. James Madison provided an acute analysis of the sources and dangers of factions in the *Federalist* number 10. He first defined the term:

By a faction I understand a number of citizens, whether amounting to a majority or minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.¹

He explained that this tendency of men to group as factions arises from human fallibility and liberty. The partiality of men's vision coupled with self-love inclines

them to pursue what they think is for their own well-being, though it be at the expense of others.

The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the different circumstances of civil society. . . . So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts. . . . Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors, and those who are debtors, fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, grow up of necessity in civilized nations. . . .²

The main purpose of Madison's essay was to refute those who held that a confederated (or federal) republic was inappropriate as a form of government for America, since the population was dispersed over a vast area. On the contrary, he held, this was the most propitious situation for such a government. Factions had destroyed small republics in the course of history. Pure (or direct) democ-

¹ James Madison, Alexander Hamilton, and John Jay, *The Federalist Papers* (New Rochelle, N. Y.: Arlington House), p. 78.

² *Ibid.*, p. 79.

racy had given too great an opportunity for the majority to tyrannize over the minority, whereas in America, the indirectness of representation and the dispersion of the population would make it most difficult for factions to use the government for partisan purposes.

Pressure Groups Discouraged

Indeed, the United States Constitution did place formidable obstacles in the way of any interest group which wanted to use government for its ends. Not only is the population dispersed over a country of broad extent but also any potential faction or interest group may be expected to be spread throughout the country. The manner of election of representatives established by the original Constitution made it difficult for any faction to bring its weight to bear in concert upon the government. Only one body of the Federal government—the House of Representatives—was originally chosen directly by the electorate. Provisions were made for Representatives to be selected by voters within states, usually by districts. The electors of the Senate came from within even smaller districts, for the Senate was to be chosen by state legislatures. The electors of the President were chosen by states, and could be se-

lected by whatever electorate the states might decide upon.

The difficulties of factions were compounded by dispersing the powers of government between the general (Federal) government and states, and by separating the Federal government into three branches. For action to be taken by the Federal government both houses of the Congress must act by majorities, the President give his assent, and the courts enforce it. If any bill fails to get a majority in either house, it does not become a law. That is to say, either house may prevent legislation from being passed. If the President vetoes a measure, it has to be passed by two-thirds of those present and voting of both houses. If the courts will not enforce an act, it is of no effect at law. In short, it takes the concurrence of both houses of Congress and to considerable degree all branches of government for government to act, but it requires only one house to prevent legislation and any branch of government has considerable power to forestall it.

Constitutional Curbs

The Constitution limits the government both substantively and in the procedures it requires for changing it. The powers which the Federal government may ex-

ercise are specifically granted in the Constitution. It is prohibited to exercise certain powers, i. e., the passing of ex post facto laws, the restriction of free speech, the taking of property without just compensation, and so forth. All powers not granted to the Federal government by the Constitution are reserved to the states or to the people. To make the limitation upon the government as plain as possible, the Ninth Amendment says, "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." The Tenth Amendment says, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." Moreover, the procedures prescribed for amendment are such as to require overwhelming approval throughout the country for changes to be made in the basic instrument of government. The ordinary route of amendment is for both houses of Congress to pass a proposed change by majorities of two-thirds or more. The measure is then submitted to state legislatures, or conventions within states. When three-fourths of the states indicate their approval, the measure becomes a part of the Constitution.

Protection, the Objective

The purpose of these complex checks upon the Federal government (along generally, with similar checks upon state governments) should be abundantly clear. They were aimed to prevent the use of the government by faction or party for the special ends of interest groups, to protect minorities from abuse by majorities, to keep government action to that which would be in the general interest, and to assure that such action as was taken would have behind it a broad consensus. To make this emphatic, the original Constitution requires that all taxes, duties, imposts, and excises be levied "for the common defense and general welfare of the United States. . . ." In short, moneys should only be appropriated for the well-being of everyone.

These provisions were, of course, only writings on pieces of paper in 1789. They had no force of their own, no power to make anyone adhere to them, no inherent strength to make anyone observe them. They might have become dead letters in short order, as so many constitutions have in later times. Instead, they were given vitality and life by men who found in their attachment to the Constitution means of achieving goals which they sought and retaining the fruits of victories

they had won. For those who sought to forge a Union from distinct and disparate states, the Constitution offered them their best hope. For those who valued protection from an overweening and arbitrary government, the Constitution was their shelter. Nor were these disparate ends; union and liberty were reconciled for many men by the Constitution. The Constitution was the primal contract of the American peoples — the union of peoples by states established by it, the powers of the general government stemming from it, the protections against arbitrary government provided in it.

The Constitution did more than this: it provided a symbol and source of continuity to a people who had dispensed with monarchy, who had cast off the hereditary means of continuity, who sought government by law not by men. At the hands of great jurists — John Marshall, Roger Taney, and others — it became the fundamental law by which all other law must be tested, the body of law to which all must submit when they operated within its jurisdiction. It was no longer a mere piece of paper; it was that to which judges deferred when they applied the law, that to which Congress and the President looked for authority, that in terms of which the power

of government could be brought to bear upon individuals.

The point is this. The Constitution provided diverse modes of election for those who should hold office under it, separated powers within the government, limited the powers to certain specified objects, and provided protections for the rights of individuals. It provided protections for minorities and made it most difficult for factions to gain control of the government. These provisions gained great force by the sanctity men came to attach to the Constitution. The words became flesh, as it were, as courts deferred to them, as legislators heeded them, as executives based their actions upon them.

Coalitions Formed

Yet, for a good many years now, the government of these United States has been embarked on a program of social transformation — on and off, but more and more. The assent to these efforts at social reconstruction has been obtained mainly by appeals to factions and interest groups. The art of politics has become largely the art of achieving majorities by gaining support from a sufficient number of factions. The reverse of what Madison predicted has occurred; he held that the mode of election of representatives and of the exercise of power would make it extremely

difficult, if not impossible, for the government to fall into the hands of factions. The electorate was so dispersed that factions would be prevented from bringing their weight to bear as a unit upon the government. Instead, the country is today divided into factions and interest groups which wield great influence upon the government and promote the concentration of power in government. This concentrated power is then used in programs of experimentation at social reconstruction.

There has been a flight from the Constitution. It has not been by constitutional amendment, though one or two amendments have facilitated the flight; for there are constitutional means for amending the Constitution. In any case, the Constitution has been little changed from the original, with one exception, in regard to the selection of representatives. The flight from the Constitution has been accomplished without altering the verbal content of the document generally: it has been done by extraconstitutional developments, by interpretation, by the assumption of powers not granted, by the gaining of powers by one branch at the expense of another, and by allowing some safeguards to atrophy or be altered.

Some early extraconstitutional developments set the stage for the

flight from the Constitution, though in themselves they may have been innocent enough. The Constitution provides that the President shall be chosen by an electoral college. Each state has as many electors as it has Senators and Representatives in the Congress. They are chosen in the manner directed by state legislatures. The assumption was that electors would be chosen because of their eminence within their states and that they would select a President without reference to anything other than their own choice. The original Constitution provided that each elector should vote for two persons. The person receiving the highest number of these votes, provided it constituted a majority, would become President; the one receiving the next highest would be Vice-President. In case no candidate got a majority, the election would revert to the House of Representatives, where each state would have one vote. Initially, state legislatures often chose electors.

Party Politics

One extraconstitutional development was the growth of political parties. Some of the early leaders, notably George Washington, hoped that political parties would not develop in America. It was a vain hope. The outlines of parties be-

gan to form over the very question of the ratification of the Constitution. Within a few years they had taken definite shape under the leadership of Alexander Hamilton and Thomas Jefferson. The Constitution has no reference to such organizations; they are given no role to play. But Alexander Hamilton was a man with a vision, a vision of a unified people in a nation made great by the vitality and extent of its commerce and manufacturing. He proposed to attain these objects by an energetic use of the Federal government. Jefferson welded together a party to oppose much of this governmental activity and intervention, and in defense of a strict construction of the Constitution. By 1800, political parties had assumed much of the extra-constitutional role they have continued to play in our history. It has been a fateful role, for it enables factions to determine policy, insofar as political parties determine policy, across the lines of electoral districts.

Parties early gained sway in the electoral college, i. e., electors were chosen on a party basis. But the constitutional mode for the voting of electors tended to thwart this. If all of a party's electors voted for the same men for President and Vice-President, there would be a tie between these two men, and the election would revert

to the House of Representatives. Indeed, this happened in 1800 and might have been expected to happen regularly thereafter. Instead, the Twelfth Amendment was ratified in 1804; it provided that each elector should have one vote for President and one vote for Vice-President. Thus, the way was prepared for party determination of candidates and for electors to become mere figureheads for their parties.

Additionally, states decided for a whole slate of electors. When, as happened shortly, the electors were popularly chosen, all the votes of a state were cast for the party's electors receiving a majority of the votes of the citizenry. Most of the electors might have been chosen in congressional districts, the remaining two in state-wide elections, thus dispersing the vote. This was not done. By having all of them chosen by a state-wide majority the way was opened to the forging of majorities by appeal to state-wide factions or interest groups. Political parties provided the instrument for factional use at the national level.

Early Abuses Insignificant

It would be a mistake, however, to make much of these early developments. They provided a potentiality for the factional use of government and for the concen-

tration of power. The Federal government was used for interest groups in the nineteenth century on occasion, most notably in the case of the protective tariff. But there were still many obstacles to concerted party efforts to carry out programs. Most of these developments had to do with the choice of a President. Members of Congress were still chosen in the way originally prescribed.

Nominally, congressmen adopted some party label, but there were few effective devices for enforcing party discipline. A congressman could vote for a program advanced by his party or not, as he chose, and only those within his district could discipline him. Even if one who had voted against most of the planks of his party's platform should be defeated in his district, it would be by no means clear that his failure to serve as a party man had led to his defeat. The President had little authority over congressmen; the Founders had tried, with considerable success, to make it so. Each branch was to be independent of the others. Moreover, the Constitution, as it was observed, placed great substantive limits upon what could be done by government, in any case. Many other changes had to be made before the government could be used for a sustained effort at social transformation.

Reform by Amendment

Three other constitutional amendments deserve mention. The Fourteenth Amendment, declared ratified in 1868, made all those born within the United States citizens of the United States. Also, it extended in other ways the authority of the Federal government. It prohibited the states to take life, liberty, or property without due process of law. Moreover, the amendment was rather vaguely worded, and this ambiguity has been exploited and amplified by the Supreme Court as it has used it as a basis for the extension of the sway of the general government. The Sixteenth Amendment, which authorizes direct taxes without reference to population, enabled the Federal government to enact an income tax, thus greatly increasing the revenue available to it.

But for the empowerment of factions, the Seventeenth Amendment was probably the most important of all. It was ratified in 1913, in the same year as the Sixteenth, and it provided for the direct election of Senators. Thereafter, Senators were to be elected by state-wide popular votes. Factions and interest groups could play roles in these elections now that had formerly been denied to them. A pivotal minority could provide the necessary votes for a

majority. An interest group with large numbers in it could virtually dictate the choice of a party candidate in an election. This result has been most noticeable in states which have several important minority groups, such as organized labor and racial minorities.

"Independent" Agencies

Most of the changes and accretions of power, however, have been accomplished without benefit of constitutional amendment. One of the most effective devices for evading the constitutional separation of powers and enabling the Federal government to exercise greatly expanded powers has been the so-called independent commission, e. g., the Interstate Commerce Commission, National Labor Relations Board, and Federal Communications Commission. Since these organizations will be treated in greater detail elsewhere, they need only be alluded to here. They have played a very important role in the attempts at social transformation, however. The intricate regulation which reformers have sought could hardly be encompassed in general legislation. The separation of powers made it very difficult to take action. The executive branch might apply legislation in ways not contemplated; the courts could, as they did frequently for many

years, nullify the action as a violation of due process, or some other constitutional protection. The independent commissions, however, frequently combined all these functions — legislative, executive, and judicial. Though their powers derive from Congress, they are nonetheless real.

The change in the role of the President, particularly as regards legislation, too, has been done without formal constitutional alteration. The President's formal legislative powers are mainly negative. He may veto bills that come before him. Except in foreign affairs, this is the extent of the grant of powers over legislation to him. (He is, of course, charged with faithfully executing the laws.) Strong Presidents in the nineteenth century were frequently men distinguished for their vetoes. Andrew Jackson and Grover Cleveland come readily to mind. But by the early twentieth century, as some Presidents became enthusiastic about meliorism, they began to perceive possibilities for the chief executive to take over much more of the leadership and initiative in legislation. Theodore Roosevelt showed the way to such leadership, but it was Woodrow Wilson who formulated the theory of presidential predominance in the government.

In his early writings, Wilson

indicated his regret that the President was "merely an administrator." On one occasion, he wrote:

If you would have the present error of our system in a word, it is this, that Congress is the motive power in the government and yet has in it nowhere any representative of the nation as a whole. Our Executive, on the other hand, is national: at any rate may be made so, and yet has no longer any place of guidance in our system. It represents no constituency, but the whole people, and yet, though it alone is national, it has no originaive voice in domestic national policy.³

By the early twentieth century, Wilson had seen the way to change this situation. Since the President is the leader of his party, he may become the leader of the nation, or at least he

... has it in his choice to be. . . . His is the only national voice in affairs. Let him once win the admiration and confidence of the country, and no other single force can withstand him, no combination of forces will easily overpower him. . . . If he rightly interpret the national thought and boldly insist upon it, he is irresistible; and the country never feels the zest of action so much as

³ Quoted in A. J. Wann, "The Development of Woodrow Wilson's Theory of the Presidency: Continuity and Change," *The Philosophy and Policies of Woodrow Wilson*, Earl Latham, ed. (Chicago: University of Chicago Press, 1958), p. 58.

when its President is of such insight and calibre. Its instinct is for unified action, and it craves a single leader.⁴

Some of the devices by which the President's powers were expanded were inherent in the office, or so the proponents of presidential power have argued. The President is charged by the Constitution with notifying each Congress of the State of the Union. He is also authorized to recommend to them "such Measures as he shall judge necessary and expedient..." He is commander-in-chief of the armed forces. He can make treaties, by and with the advice and consent of the Senate. His role in foreign affairs is, by the nature of these provisions, an eminent one. Wilson noted that when foreign affairs are foremost in national concern, the President's stature is apt to increase and his role expand. As commander-in-chief, the President is in a position of leadership in making war.

Foreign Entanglement

It is worth noting that the same Presidents who have been most determinedly devoted to melioristic reform have also been those who have gotten us most deeply embroiled in foreign affairs which usually led to war, that is, Presidents Theodore Roosevelt, Woodrow Wilson, Franklin Roosevelt,

⁴ Quoted in *ibid.*, p. 61.

Harry Truman, John Kennedy, and Lyndon Johnson. Nor is the connection entirely accidental. Embroilment in foreign affairs not only increases the role of the President in decision-making but it is more than likely to involve the United States in such wars as occur. Moreover, twentieth century wars have been leading occasions for the introduction of reformist innovations, regulations, and restrictions, and these can, and have been, blamed upon the exigencies of war.

This is not to say that Presidents have involved the United States in war in order to advance reform programs. If such a thing had occurred, it would probably be forever beyond the reach of historical proof.⁵ Since we lack such proof, the matter can be sufficiently explained in this way. Presidents with a penchant for intervention can most readily exercise it in foreign affairs, for the bulk of their interventionist powers lie in that realm. Intervention is likely to lead to war. Once the country is involved in

war, the President can use it as an occasion and opportunity for domestic intervention. The penchant to intervene, which is probably rooted in human nature in the will to power, is, of course, nurtured and provided with intellectualist justifications in meliorist ideologies.

The President as Lawmaker

The President's powers have been increased in a number of other ways. The incidental authorization in the Constitution for the President to recommend measures to Congress has served as a base for Presidents to take the initiative in legislation. Presidents in the nineteenth century did not utilize this much for promoting particular acts of legislation.

There were many reasons for this. The main one is that nineteenth century Presidents were not committed to extensive reforms. They did not conceive it to be their mission to transform American society. Had they thought otherwise, however, there were good and sufficient reasons for them to abstain from legislative leadership. The President's primary task is administrative, the execution of the laws. If he becomes involved in the making of particular laws, he may take positions which will unfit him for

⁵ Witness, for example, the spate of books during and after World War II attempting to prove that Roosevelt deliberately provoked the attack on Pearl Harbor. Yet, they prove only that he *might* have done so, that the policies he followed did little to inhibit a sneak attack. The chances are good that nothing more than this will ever be proved, for hidden motives are involved.

executing them, particularly if he has vigorously opposed measures that are subsequently passed over his veto. Congress might well resent presidential tampering with its prerogatives. The President's prestige would be at stake in the measures he promoted.⁶ Moreover, he does not have sufficient leverage over Congress to get his measures enacted. Its members are chosen independently of him.

Most of these objections and difficulties have, of course, been overcome or shunted aside in the twentieth century, for Presidents have taken over legislative leadership. Woodrow Wilson was the first to do so on a large scale, though Theodore Roosevelt had pointed the way. Wilson ran on the basis of a program called the New Freedom, and, once inaugurated, he proceeded to get the program through Congress. Since that time, Presidents have gone much farther in assuming legislative responsibilities. This reached a peak in two years: 1933 and 1965. In 1933 many of the bills which were passed by Congress were actually drawn by men in the executive department, sent to Congress, and, in the case of

some of them, passed without benefit of committee examination. By 1965, Congress had come to accept the presidential initiative as standard procedure. The traditional roles of the two branches had been reversed; Congress could exercise what amounted to a veto on bills proposed by the executive, but the initiative had passed to the President.

Platforms for Change

The difficulties of doing this were overcome in various ways. In the first place, Presidents did become reformers. It became customary for presidential candidates, at least Democratic ones, to set forth a program of changes which they expected to institute if elected. These programs have often been given names, as New Freedom, New Deal, Great Society, and so forth. Not only have presidential candidates run on these, but congressional candidates as well. Once elected, a President is then assumed to be committed to rendering these into bills which he is to push through Congress.

Secondly, the prestige of the office of President has been built up, particularly in wartime. That of Congress has suffered by comparison. When Congress has failed to pass presidential bills, it has been labeled obstructionist, and has suffered from both subtle and not

⁶ In parliamentary systems, of course, the Prime Minister does take such leadership. But if he is defeated on an issue he considers crucial, he may resign or be forced to do so. No such alternative exists for a President.

so subtle vilifications by columnists and assorted publicists. In short, Presidents—with assistance from their numerous helpers in the media of communication—have found ways to advance particular proposals without losing face if they fail. Instead, Congress is supposed to lose face by failing to pass them.

Third, Presidents have found ways to bring sufficient congressmen to heel to forge majorities for much of their legislation. In the main, these consist of patronage, spoils, and pork barrel. Congressmen are brought around by promises of government projects to be located in their districts, getting their men appointed to office, a new dam, a new post office building, a new Federal office building, a defense plant, a government contract, and so on, *ad nauseam*.

On the face of it, it is difficult to imagine a more ironic development than this latter one. To Congress belongs the power of appropriation, as well as the initiation of acts. Yet, congressmen truckle to the President to get a portion of the largess they have voted to distribute. There is an explanation for this, however, and it will get us to the nub of the matter. A congressman is one man among many men. Theoretically, his vote counts for no more than any other,

and in the course of a few years of legislating, his district should come out on a par with all other districts in getting Federal largess. Of course, not all men are equally influential in Congress, some have important seats on crucial committees, others not. Such a congressman can parlay his influence in Congress into sizeable gains for his district by also serving the President faithfully. Presidential discretion in handing out benefits greatly augments what a congressman could get on his own.

Budgetary Difficulties

These are but accommodations, however, by which some congressmen get their quid pro quo for yielding up their legislative prerogatives. The prerogatives had to be yielded up as Congress gave its assent to the building of an ever vaster Federal establishment. The fact is that it is no longer practicable for Congress to devise a budget, or, what amounts to the same thing, initiate appropriations. Congress cannot oversee the vast Federal establishment effectively; it cannot devise the intricate regulations and restrictions which now govern the lives of Americans. It cannot do the work which a huge Federal bureaucracy now performs, nor could any other legislative body.

The flight from the Constitution does not consist simply of the power which factions can now exercise, of the concentration of power, or of shifts in the relative weight of the branches of government. It stems from the overriding of the substantive limitations upon the powers of the Federal government. In short, much of the huge Federal establishment has been built by the exercise of powers that were not granted in the Constitution. Most of the regulations, restrictions, expenditures (excepting for defense) and far-flung activities were not authorized by the Constitution. Nor have they been authorized by amendments. Instead, they have been acquired by reading into the Constitution what is not there, and promulgating mystifications about what is there.

A Word for the Court

Those seeking a scapegoat to blame for the flight from the Constitution may find it convenient to place the burden of responsibility upon the Supreme Court. Yet such an historical interpretation would be a gross injustice to many of the men who have made up that august body. It is true that the majority of the Court have now joined the flight from the Constitution, may even be in the forefront of it, but this is a recent de-

velopment. The members of all branches of the government are charged with observing the Constitution, the members of Congress and the President no less than the courts. A majority of either house of the Congress can just as surely nullify a bill on the grounds of its unconstitutionality — by refusing to pass it — as the Supreme Court can nullify an act of Congress — by refusing to enforce it. The President can veto a bill on the grounds of its unconstitutionality. It could still be passed over his veto, but this would be no reason for a President to fail to do his duty by the Constitution. It is true that the Supreme Court has the last say, but to the extent that the flight from the Constitution has been by the regular legislative route, the courts have only concurred in flights already made by other branches.

Moreover, the Supreme Court held out much longer against the general flight from the Constitution than did any other branch. Initially, it greatly circumscribed the activities of the Interstate Commerce Commission, made of limited effect for a number of years that strange piece of legislation known as the Sherman Antitrust Act, only very reluctantly accepted the privileged status of organized labor. It did not readily

concur in the piecemeal absorption of property rights by government in regulatory measures. The Federal courts held out for four years or more against the drastic measures of the New Deal after the Congress had become a rubber stamp for executive measures. It nullified the central acts of the early New Deal when it invalidated the N.R.A. and A.A.A.

But there are limits to what can be expected of men, and those limits apply to justices of the Supreme Court as well as other men. For years before 1937, a literary assault upon the Constitution had been going on. Writers had proclaimed that the Constitution was itself a class document, that it had been drawn by well-to-do merchants and planters to serve their interests. It was outmoded, others said, perhaps well enough suited to an agrarian society but hardly fit for an industrial one. New times require new measures, other men proclaimed. A new outlook had been developed; in terms of it government was supposed to act in accord with the needs of the moment, not in accord with some "ossified" eighteenth century "piece of paper." In theory, the Court's position is secure; in practice, it is not certain how

long it can hold out against the combined Congress and President. The men who make up these branches are popularly elected. They are the voice of the people, so the argument ran. Could nine men withstand the wrath of a nation, prevented from going in the direction it wanted to go? The Court might have held out with impunity. At any rate, it did not. After 1937, it capitulated, for whatever reasons following Roosevelt's ill-fated Court Reorganization Bill (popularly known as his "Court Packing Scheme"). Since that time it has only rarely called a halt to some particular reconstructionist activity.

The above is to set the record straight. The role of the Court in defense of the Constitution when the other branches were irresponsibly evading its limitations has gone unsung. The point needed to be made, too, that, legends to the contrary notwithstanding, the Court is not the sole keeper of the Constitution. This is a solemn responsibility enjoined upon those who serve in all branches of the government. The courts have, however, played an increasing role in the flight from the Constitution, and that story needs to be told also. ♦

*The next article in this series will further describe
"The Flight from the Constitution-II."*

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Adenauer's Memoirs

KONRAD ADENAUER'S *Memoirs 1945-53* (Regnery, \$10) is a work that is best described by such adjectives as "dogged" and "slogging." But if there is no genius in the telling of this story, there was genius in the way Adenauer, as the postwar leader of West Germany's Christian Democratic Union, lived it. A seventy-year-old ex-Mayor of Cologne when the war was nearing its end, he was the figure on whom the history of West Germany — and therefore the entire West — was to pivot. His life since 1945, both as party leader and as his country's Chancellor, may be taken as a virtually complete refutation of the materialist, or economic determinist, theory of history.

If it hadn't been for his presence on the scene, West Germany would surely have returned to the

so-called comity of nations as a Marxist state, or group of states, complete with nationalized industries, planning boards, directed labor, and all the rest of it. This is what Dr. Schumacher's Social Democratic Party was proposing, and this is what the British, who were in charge of Adenauer's state of North Rhine-Westphalia, were disposed to accept. After all, there was a labor government in London after Churchill's dismissal in 1945, and "planning" was what Clement Attlee, Ernie Bevin, and Herbert Morrison, the British socialists, thought they understood.

As a party with a long German tradition, the Social Democrats should have walked away with the crucial election in 1949 that signaled the rebirth of a German nation. But Adenauer, the Rhinelanders who had been thrown out

of his job as Mayor of Cologne by the Nazis, tapped spiritual resources that had been dormant in Germany for well over a decade. He was not an economist himself, but, as a Christian philosopher, he believed in the primacy of the freely-choosing individual. He went up and down West Germany preaching that the sort of centralized economic control that was advocated by Dr. Schumacher's socialists would not differ, in essence, from what the Germans had known under Hitler. It was his genius as a politician to recognize the voltage in the phrase, "the social market economy." Erhard, the present Chancellor of West Germany, had brought this to him as a disciple of the Roepke school of neoliberal economics, and it was semantically right for the times. For, in its implicit assertion that the market creates social values out of individual and group competition, the new phrase challenged the Marxist shibboleths on a ground that could appeal to the Christian conscience.

The Market Economy

As Erhard, who was to become Adenauer's Minister of Economics, put it, the social market economy would produce a maximum of well-being and social justice by letting free individuals make an efficient contribution to an order

that embodies a social conscience. Where state welfare was necessary to sustain war cripples in their hospitals, and to provide for the stream of refugees and displaced persons from the Communist East, the affluence created by the market economy could be taxed. A government committed to social market competition would see to it that taxes were not levied in a way to discourage incentive, and it would also insist on an independent control of monopolies to safeguard genuine competition.

No doubt the coupling of the adjective "social" with the noun "market" could be utilized to justify the wildest aberrations of state welfarism. We in America are well aware of what can be done by canny manipulation of the "general welfare" clause of the Constitution. But the Christian Democratic Union governments of West Germany have not been sophisticated in their application of the Roepke-Erhard theories. They have provided incentives to invest, they have steered clear of inflation, and they have done more than their part in the attempt to create a wide free-trade area in western Europe.

A Touchy Situation

Looking back on the history of 1945-53 which is covered in this most impersonal of autobiogra-

phies, the whole story may seem inevitable. The Soviet Russians, by their aggressive post-1945 behavior, forced the nations of the West to regard West Germany as their own particular buffer against communism. It would have been silly to pulverize a buffer by applying the Morgenthau plan for turning West Germany into a region without industry; this would have created such chaos that the Communists would have been able to take over from within. So the decision to rebuild the British, American, and French zones as a viable modern economic unit was made. The Marshall Plan took hold at the end of 1948, raw materials poured in, individuals were permitted to start their own businesses, and to support everything else there was a currency reform.

Yet it was actually touch and go when it came to creating a form for the first new national government in West Germany in 1949. After the Christian Democrats had won their surprising victory, many in Adenauer's own party wished to form a coalition with the Social Democrats. The Social Democrats were willing, but they demanded the Ministry of Economics as their price for collaboration. After all, they held 131 seats in the new Bundestag as against the Christian Democrats' 139. Potentially, this made them

an extremely powerful opposition, and in a parliament in which ten separate parties were represented there was always a possibility that they might have their way. So they felt justified in wishing to have the power to create the industrial shape of the new nation.

Principle Prevailed

Adenauer, however, was convinced that the election constituted a mandate for a generally free economy. The Social Democrats and the Communists had polled eight million votes, which, presumably, had been cast for socialism of one kind or another. But thirteen million votes had been cast for the antisocialist parties. The CDU's Minister President Altmeier of the Rhineland-Palatinate spoke plausibly for a coalition with the Social Democrats, and his words were greeted with applause. He raised the fear that a strong Social Democratic opposition in the Bundestag would use nationalist arguments to attack every effort at understanding with the occupying powers.

But Adenauer insisted that a coalition would be taken as a breach of faith by a vast majority of the voters if the Social Democrats were to get the Ministry of Economics as their share of the bargain. "There is a great difference," he said, "between our-

selves and the Social Democrats regarding the principles of Christian conviction. Moreover, there is an unbridgeable gap between ourselves and the Social Democrats in the matter of economic structure. There can only be either a planned economy or a social market economy. The two will not mix. In view of these differences it would not even be possible to have a Christian Democrat as Minister of Economics and a Social Democrat as Under-secretary of State. We could never get things moving."

The words of Der Alte Adenauer were convincing, and a coalition of anti-Marxist parties followed. So it was Erhard, and not the Social Democrats' Professor Nolting, who took charge of West Germany's economic future. The German "miracle" followed. And when relative stagnation and inflation continued to dog the efforts at recovery in "Keynesian" nations such as Britain, the Erhard-supported economies of Roepke—and, incidentally, the Mt. Pelerin Society—began to take on a luster which nobody save a few FEE die-hards would have deemed possible.

Adenauer's reconstitution of far-off things and battles long ago lack Churchillian sparkle. But the events create their own drama. This is a document for FEE-ers to read with pride. ◆

► **THE INTEMPERATE PROFESSOR AND OTHER CULTURAL SPLENETICS** by Russell Kirk. (Baton Rouge: Louisiana State University Press, 1965. 163 pp. \$5.00.)

Reviewed by Robert M. Thornton

RUSSELL KIRK's credentials as a critic of higher education are impeccable. A well-educated, widely-traveled man of letters, he has observed at first hand teachers and students and administrators on the 200 or more campuses where he has lectured in the past dozen years. He does not like what he sees.

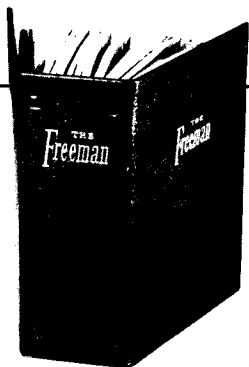
Many professors are more interested in indoctrinating those sitting under them than in developing a disinterested love of truth. Embracing relativism and/or nihilism, some teachers are eager to upset whatever ideals and convictions their students bring with them from home. Students *should* learn to think for themselves, but our institutions of learning were founded to conserve and extend the nation's heritage, not to destroy it.

Dr. Kirk, unlike many today who write on the subject, understands education to be, not the pouring of facts or techniques into a young person's head, but a spiritual process, if you will—a certain relation between teacher and pupil

and the object of their studies. This being the case, the remedy for the ills of education is not more money, bigger plants, or more classroom gimmicks; and definitely not more funds from Washington which will be followed, quite naturally, by Federal controls.

The most provocative essay in this collection of fourteen is, in my opinion, "The Rarity of the God-Fearing Man." We like to be told that God is love, a "Chum, never to be dreaded because He is indiscriminately affectionate." This notion would have scandalized the tough-fibered Calvinist who settled our land and developed its institutions. Such a man, "knowing that divine love and divine wrath are but different as-

pects of a unity, is sustained against the worst this world can do to him; while the good-natured unambitious man, lacking religion, fearing no ultimate judgment, denying that he is made for eternity, has in him no iron to maintain order and justice and freedom. . . . If the fear of God is obscured," Kirk continues, "then obsessive fear of suffering, poverty, and sickness will come to the front; or if a well-cushioned state keeps most of these worries at bay, then the tormenting neuroses of modern man, under the labels of 'insecurity' and 'anxiety' and 'constitutional inferiority,' will be the dominant mode of fear." This is spiritual bondage, and once it settles in, political and economic enslavement are not far behind. ♦



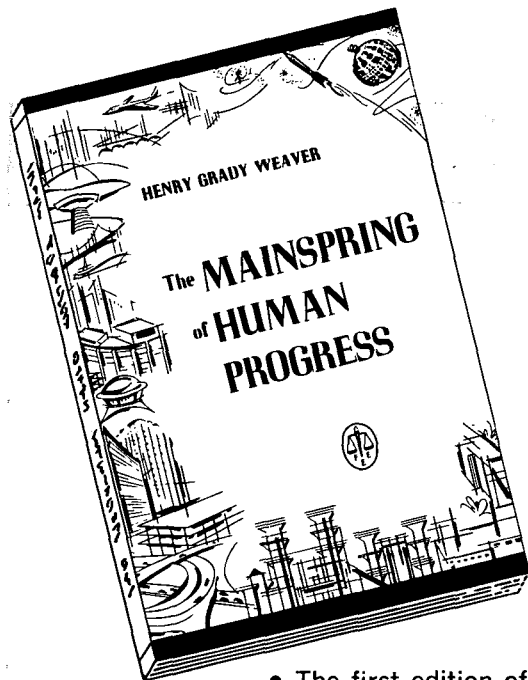
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To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

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